

# SMALL BUSINESSES SPEAK: SURVIVING THE GOVERNMENT SHUTDOWN?

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## HEARING

BEFORE THE

### COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

OCTOBER 15, 2013

Printed for the Committee on Small Business and Entrepreneurship



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ONE HUNDRED THIRTEENTH CONGRESS

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## **SMALL BUSINESSES SPEAK: SURVIVING THE GOVERNMENT SHUTDOWN?**

**TUESDAY, OCTOBER 15, 2013**

UNITED STATES SENATE,  
COMMITTEE ON SMALL BUSINESS  
AND ENTREPRENEURSHIP,  
*Washington, DC.*

The committee met, pursuant to notice, at 2:30 p.m., in Room SR-428A, Russell Senate Office Building, Hon. Mary L. Landrieu (Chair of the Committee) presiding.

Present: Senators Landrieu, Levin, Cardin, Shaheen, Hagan, Heitkamp, and Fischer.

### **OPENING STATEMENT OF HON. MARY L. LANDRIEU, CHAIR, AND A U.S. SENATOR FROM LOUISIANA**

Chair LANDRIEU. Good afternoon, everyone. Thank you all for making the effort to join us here today for this hearing to allow the voices of small business and partners of small business to be heard in how this shutdown of the Federal Government is affecting you.

We are now on day 15 of a government shutdown and, unfortunately, only two days away from the possibility of the United States signaling to the world that we will not pay our bills. American Express CEO Ken Chenault said, quote, "If the United States hits a debt ceiling and is unable to pay its debts, the consequences will be immediate and dramatic. The United States," he went on to say, "has been the wealthiest nation on the planet for 100 years. No one ever believed the United States would not pay its bills. If the U.S. defaults, the world financial system literally unwinds."

Gautam Mukunda, a Harvard Business School professor, said this week, "The economic risk to the average American if the government defaults on its debts is so great, I find it hard to believe policy makers would ever allow it to happen. The entire crisis is entirely unnecessary and avoidable."

Yet, we are here today still facing this potential catastrophic crisis because of, in my view, a small minority from one party in one House decided to hold the Federal Government and the global economy hostage to defund or delay a health care law they find objectionable, a health care law that passed the Senate on December 24, 2009, passed the House on March 21, 2010, was signed into law by President Obama on March 23, and upheld by the Supreme Court on June 28, 2012.

Hundreds of committees held hearings on this law over a span of 40 years. This committee held several hearings on this law, one just recently, where we had people come in and talk about what

they liked about it, and what they did not like about it. I will refer to that in a minute. At our recent hearing, we heard from one small business owner from Maryland. He stated, "I always wanted health insurance, and being self-employed, we could not afford it. I do not want to go back to that." He went on to say the status quo was completely unacceptable. "Doing nothing would have wreaked havoc on my business and other small businesses like it." We had at that time a stream of testimony that is on this record and public record of business owners saying how pleased they were with many parts of the law. We had some on record that said they did not like parts of the law.

But what we find ourselves here today is because a small group could not get it amended, repealed, et cetera, they have now shut down the government. And I wanted to give voice to small businesses today, regardless of what your feeling is about that particular act or health care in general, we want to hear from small businesses about how the Federal Government, when it furloughs almost 800,000 people and puts a stop to contracts, projects, et cetera, how it affects small business. Maybe there is no effect. We will hear from you all today. I think there is.

So, this hearing will attempt to focus attention on the current government shutdown on America's small businesses, and there are 27 million of them, 20 million self-employed, about seven to eight million small businesses, and we have thousands of banks represented here that lend to those businesses. We are going to get some of this on the record today.

Our witnesses, all of you, come from a variety of different industries. You come from the tourism industry, from the high-tech efficiency firms, from IT, from cybersecurity firms, you represent the health care sector, and even a small manufacturer of gun parts is here to testify about how this shutdown is affecting your business.

Some of my colleagues that have joined me, and I will recognize them in a minute and thank them for being here—everyone is on a tight timeframe today—but some of their firms that they represent in their States have expressed strong—given strong letters of support for this hearing and expressed their views. Here are just some that we have collected, and I will do this briefly.

One of my small business owners in Donaldsonville, Louisiana, Todd Dorian, sent me a letter. He works in the sugar industry. He is owner of a small consulting business, but he wanted to open Grapevine Café and Gallery in Donaldsonville. Now, we are famous for our restaurants, lots of good food, and they are not always fancy places, but they are always good. I have no doubt his would have been one. He had nearly completed an application for a 504 loan which he would use to purchase the restaurant. The SBA had not approved the loan yet. The restaurant he is buying has 15 employees, but in his plan, he was going to add five new jobs within 90 to 120 days of purchase. That job hiring has been delayed because his loan application could not be approved because this is just one of 500 agencies of the Federal Government that are closed down and not operating properly.

Another one of our businesses, in business a long time, Perez and Associates from the 1940s, it has grown into a national company. This company happens to now be owned by women and minority-

owned. Their government clients include the Corps of Engineers, Department of Agriculture, U.S. Air Force. More than 50 percent of their work is Federal contract, but 50 percent is private. They are losing, they have testified to me, more than \$41,000 a day and 40 employees are affected by this shutdown.

Another Louisiana company, Gulf Coast Bank, that I am well aware of, they are one of our strongest small business lenders. They are one of the largest mortgage lenders in South Louisiana. They have closed over 1,300 loans totaling \$230 million to date. They are on target this year to close \$300 million because the market is picking up and things are moving forward. Yet, every day, they said, they are losing—they are saying no to \$1.8 million in lending because of this closure.

I am going to read just one more off that is not from Louisiana, that is from Philadelphia, Pennsylvania, and then turn it over to my colleagues for brief opening remarks as we get to our panel. But in the Wall Street Journal just this week, Charlotte Calmels had been planning to use a \$150,000 SBA loan to open her second French restaurant in Philadelphia. But before the loan can close, her lender, which is Susquehanna Bank, must confirm her legal immigration status. That process begins with the SBA. The Federal immigration agency, which remains open because they are under an exception, stopped receiving requests because they cannot get what they need from the SBA, which brings to the point that just because a few agencies have been deemed “essential” under the emergency does not mean by any chance that operations are going smoothly and it is stopping a lot of economic work in our nation. I hope that we can open up our government.

I am going to submit the rest of my statement for the record, but I want to just say that the SBA approved 53,000 loans supporting over 30 business and small business lending through its flagship 7(a) and 504 loan programs. If loan volumes hold, that means every day the government is shut down, an average of 150 loans totaling over \$93 million are not being processed.

The Export-Import Bank is under the wheelhouse of this committee. What about that bank? Last year, 88 percent of the Export-Import Bank transactions were from small businesses, totaling \$6.1 billion. That bank today is not currently operating. Translate that to \$16.7 million a day of lost transactions for small businesses all over America.

Now, let us take the IRS. I promise you, this is not going to be on the favorite list of House Republicans to open it up. It is not one of my favorite agencies, either. However, many small mortgage lenders and real estate agencies are in danger of seeing transactions put on hold because, by law, any mortgage loan approved is subject to the review by a mortgage lender of at least one year’s worth of Federal tax returns. If they cannot get one year’s worth of Federal tax returns verified by the IRS, all of these mortgages and loans are tied up. So you can see what our situation is here.

So, let me, in closing, say we have a wonderful collection of small business owners today who, I know you are eager to tell your stories. I look forward to hearing you all.

Chair LANDRIEU. I am going to turn to my Ranking Member when he arrives, but until then, let me, in order of appearance, rec-

ognize the Senators just for a very brief, you know, one minute or two, opening remarks, and then I would like to introduce our panelists.

Senator HEITKAMP.

**OPENING STATEMENT OF HON. HEIDI HEITKAMP, A U.S.  
SENATOR FROM NORTH DAKOTA**

Senator HEITKAMP. Thanks so much, Chairwoman Landrieu, for putting this hearing together in such a short period of time, and I want to assure the witnesses, we understand that your time is valuable, but your stories are extraordinarily important and this opportunity to really tell those stories, I think, is critical to impressing upon people that there is more that is hurt than just feelings here. There is more than what is hurt than just our emotion.

And this may come as a surprise. This committee is a committee that I worked very hard to be on because North Dakota, in fact, is affected almost more than any other State with the SBA shutdown. My home State of North Dakota actually ranks number one in the number of loans per capita based on dollar value secured through the SBA. The agency reported that in fiscal year 2012, it granted almost \$28 million, or \$152 per resident, of loans in North Dakota. And in the first four months of the current fiscal year, the SBA provided twice as much financing compared to the same period in 2012. And you might know that North Dakota is undergoing a huge economic boom.

But what is really tragic here is that this opportunity that small business people have of taking advantage of this economic opportunity in North Dakota is being stifled every day, and tragically, the places where it is being hit the hardest is our Indian Reservations. And I could tell you very sad stories, but I think it is important that we hear your individual stories and not relay the ones that we have from home, and so I would ask that my whole opening statement be available for the record.

[The prepared statement of Senator Heitkamp follows:]

**SEN. HEITKAMP OPENING STATEMENT**

Small Business Committee Hearing

15 October 2013

Small Businesses Speak: Surviving the Government Shutdown

I would like to first thank Chairwoman Landrieu for putting this hearing together in such a short period of time and under such difficult circumstances. And I want thank each of the witnesses for taking the time out of your busy schedules, in these uncertain times, to come in this afternoon to discuss the impacts of the government shutdown on your businesses. I assure you that your testimony here is vitally important, your voices will be heard, and those of us on the Small Business Committee will take your stories to our colleagues when we leave this hearing today. Your stories will also serve as a warning in the future, a warning to those who may wish to take the country down this path again that there are real consequences to real people.

While the news over the last twenty-four hours is certainly more encouraging, and we may finally be on the verge of seeing the light at the end of the tunnel for a resolution to this government shutdown ... that news is little solace to small businesses across this country who have already suffered greatly and who are left wondering if what happened on October 1<sup>st</sup> is the beginning of a new reality of governing by crisis and threats. Every elected official, on both sides of the aisle, on both sides of Capitol Hill, comes into office talking about job creation and the crucial role small businesses play in driving our economy forward. Yet here we are today, with a panel of witnesses before us to testify to the fact that actions speak louder than words ... and that the actions of a small but vocal group of lawmakers has not only prevented new businesses from sprouting up, but has greatly harmed existing small businesses.

This hearing is but a small snapshot of the pain being felt in each and every one of our states, and across the country. As a matter of fact a new, independent report on the effects of the shutdown shows that, by at least one measure, small businesses in my home state of North Dakota stand to suffer the most. This is due to the disruption of SBA's loan administration and servicing abilities during the current government shutdown. North Dakota ranks number one in the nation in terms of most loans per capita, based on dollar value, secured through the SBA. The agency reported that in fiscal year 2012 it granted \$97.5 million, or \$152 per resident. In the first four months of the current fiscal year, the SBA provided twice as much financing compared to the same period in fiscal year 2012, or \$35.6 million.

But numbers tell just part of the story in my state, it is the personal stories that stick out, stories that tell you so much more than mere numbers ever could. The Lewis & Clark Certified Development Company, based in Mandan, North Dakota, is licensed to administer and facilitate the SBA 504 loan program throughout the state. The 504 loan program is a crucial funding mechanism for small businesses looking to take that next step towards growth and expansion, by providing long-term, fixed-rate financing, at competitive rates for major fixed assets, such as land and buildings. This program is a proven job creator for states, as a facilitator of the growth and expansion of home-grown

small businesses. However, due to the government shutdown, the Lewis & Clark CDC has contacted my office and advised us that they have numerous “SBA 504 loan applications in the pipeline that are at a standstill. Because they are at a standstill, the commercial ventures (that create jobs) are at a standstill.” That certainly doesn’t sound like job creation to me, and as we still work our way through this fragile recovery from one of the worst recessions that this country has ever faced, the last thing we should be doing is placing more obstacles in front of our small businesses.

I’ve also heard from Rock Industries Corporation, a Small Business Administration 8(a) certified and HUB Zone certified company owned and operated by the Standing Rock Sioux Tribe, and located on the reservation in Fort Yates, North Dakota. Both the 8(a) and HUB Zone programs look to assist disadvantaged businesses and individuals as well as businesses operating in disadvantaged areas. Nowhere are these programs more critical, than in Indian Country. These programs provide a lifeline to our Indian peoples, they provide opportunity and hope to some of our most impoverished citizens, and they offer jobs to an all too easily forgotten population who face extremely high unemployment rates on reservations all across the country. Yet here we are, entering our third week of this government shutdown, and I have a Native 8(a) corporation in my state that can’t bid on new contracts and that has not heard back from the Department of Defense in weeks on a pending contract bid. This lack of certainty would hit any small business hard. Rock Industries is trying to hold on, trying to keep their employees on and from moving to other lucrative jobs in the oil patch ... this situation has the potential to cripple the long-term prospects of this small business, and if it does we will not just have failed this small business we will have failed one of our tribes ... again.

These are just two examples of how this government shutdown has had an effect on small businesses in my home state ... small businesses that expect the SBA to be on the other end of the line or email ... small businesses that rely on our federal government to show up and do their job. These are not isolated examples in North Dakota, in FY 2012-FY 2013 North Dakota averaged \$373,047 per day in approved loans through the SBA’s 7(a) and 504 programs. Assuming those numbers would continue at a similar rate, and there is no reason to believe that they would not, that means that as of today, the fifteenth day of this government shutdown, small businesses in my state have potentially lost almost \$5.6 million dollars in financing and investment. This means lost opportunity to expand, an inability to hire new workers, and a general slowdown in job and economic growth in North Dakota.

All of this is to say that the SBA and its loan and financing programs are crucial to job growth in this country. These programs provide opportunities to many of our innovators and entrepreneurs who need just a little help getting started or expanding their small business. Those of you on this panel today, you are here to represent small businesses across the country, to tell your stories, and to put a face on the real difficulties small businesses are facing due to this government shutdown. I look forward to hearing from all of you this afternoon.

Chair LANDRIEU. Without objection. Thank you.  
 Senator Cardin.

**OPENING STATEMENT OF HON. BENJAMIN L. CARDIN, A U.S.  
 SENATOR FROM MARYLAND**

Senator CARDIN. Well, Chairman Landrieu, first of all, thank you very much for bringing us together and thank you for pointing out so frequently on the floor of the Senate, in our caucus, and to the American people the harm being caused to our country as a result of the shutdown of government.

I represent the State of Maryland. We have ten percent of our workforce that works for the Federal Government—ten percent of our workforce. It has had a huge impact on the Maryland economy. So we know about that ten percent. We know about that 125,000 or 130,000 Federal workers who are furloughed. But it is having a major impact on small businesses in our State.

I stopped at a restaurant last week near the Baltimore beltway and I know the owner and I asked him how things are going. He said, "Terrible." He said, "You know, we do not have the Federal workers who usually come in here and have lunch. I do not know how much longer we can deal with our current situation with the government shutdown." So businesses are hurting.

I want to thank all of the guests that we have here today that are going to relay their stories. I am particularly pleased that we have so many on the panel that have a Maryland connection.

We talk about the Federal workers, but how about the employers that do contract work for the Federal Government? That is a huge number in my State and around the country. So I am glad that Lisa Firestone is here, who will be able to talk about the fact that 90 percent of her revenues are in jeopardy because of the shutdown. She helps save money for the Federal Government in the work that you do for lost days and worker comp costs, and we know the great work that you do. We want to see you at full strength.

And to Sabrina Poole, a woman-owned small business, 25 percent of her revenues are jeopardized because of the shutdown.

And I want to also thank Sally Robertson and Ron Paul for being here to explain what this will mean from the point of view of the SBA inactivities as it affects the businesses done by their financial institutions. This is important for us to get your story and I thank you for being here.

Chair LANDRIEU. Senator Levin.

**OPENING STATEMENT OF HON. CARL LEVIN, A U.S. SENATOR  
 FROM MICHIGAN**

Senator LEVIN. Thank you very much, Madam Chairman, for doing this, and for your great leadership here.

Small business is getting clobbered by this government shutdown. Each of us have probably dozens of stories. I have about a dozen in my statement, which I would ask that you put in the record. I will just use one of those stories, and will try to pick out the one here which maybe somehow or other will resonate.

There is a little ferry service that runs out of Leelanau County way up in the Northwest part of the Lower Peninsula, a little ferry service that runs hunters and hikers and bikers to a little island

in the Sleeping Bear Dunes National Lakeshore. Under the government shutdown, that ferry service cannot run. Five runs a week is all it was doing, 50 people on each ferry, about 250 people at about \$35 each. That is the income of that ferry service. It cannot run. It is about \$8,000 in lost fares per week. A small business, one of, again, a dozen that I am setting out here in my opening statement.

The only point I would make other than that, Madam Chairman, is this. Everybody wants us to negotiate. It is obvious we should negotiate. It is obvious that the negotiations have to be bipartisan. The real issue is whether government is going to be functioning while we negotiate. And on that, everybody ought to join in and say, of course, government should be functioning while you negotiate. That is the issue.

And I would hope our small business people will let their own representatives and Senators know how important it is that government reopen. Negotiate, of course, but for heaven's sakes, pay our bills while we negotiate. But please, please get government open again while these negotiations take place.

So, again, my thanks to you, Madam Chairman, for your tremendous leadership, not just in this committee, but publicly on the floor of the Senate and so many other ways you are indispensable in this effort.

[The prepared statement of Senator Levin follows:]

Statement of Senator Carl Levin  
 U.S. Senate Committee on Small Business and Entrepreneurship  
 Hearing on Small Business Speak: Surviving the Government Shutdown  
 Tuesday, October 15, 2013

Thank you Chair Landrieu for holding this hearing on the impact of the shutdown on small businesses. We all say small business is the backbone of the U.S. economy and we know they are already struggling under an economic recovery that remains too slow. The last thing we should be doing is hurting this nascent recovery by a government shutdown that has such a negative impact on main street businesses and the economy.

Some of the small businesses that are hurt by the shutdown are those that are located near military bases, government offices or national parks. Small businesses that contract with the government, many of which were planning furloughs as a result of the shutdown, are broadly affected. Fortunately, now that most of DoD employees have been called back to work some of those businesses that were being harmed by the DoD furloughs should be doing better. But it is a mistake to just open those portions of the government whose closure has most visibly caused harm. We must open the entire government because there are so many government functions that are critical to a robust economy and to small businesses.

The fact that SBA is not processing loans during the shutdown may be less visible to some, at least at first. But SBA borrowers may have no access to capital without the government guarantee. No SBA loans means that companies may not be able to buy equipment, hire new employees or make payroll.

Some less obvious parts of the federal government that small businesses rely on include customs services, passport services and FAA inspections and maintenance services. Let's focus on the FAA. With air traffic controllers and TSA inspectors on the job, and thankfully so, many of us don't think about what other important work the FAA might do to keep airports operating and aircraft flying.

I'd like to share a few Michigan examples.

#### **Traverse City**

One example that is affecting small, medium and large businesses in the Traverse City region is the continued cancelation of flights in times of low visibility at Cherry Capital Airport.

Due to the shutdown and FAA furloughs, the FAA is not able to finalize landing procedures for the new instrument landing system and improved runway at the airport. This means the landing equipment necessary during bad weather is not up and running. The result: a total of 55 canceled flights to date.

#### **The Upper Peninsula**

Another airport example is the Chippewa County International Airport in the Eastern Upper Peninsula of Michigan. The airport manager told us that electrical navigational aids owned by the FAA have been in need of repair for over a year now. Just this August, the FAA finally secured funding to replace the transformers, but now cannot finish it due to the shutdown. In the

meantime, two transformers failed last week. As a result, flights could no longer take off or land. The next closest airport with commercial flights is Alpena (137 miles away) or Traverse City (145 miles away). The airport was recently able to reopen using a generator until replacement can resume.

#### **Warren**

Gregory Schmidt, President and CEO of Pentastar Aviation, an aviation services company headquartered in Waterford, Michigan, wrote that the shutdown has hit the business aviation hard because it is regulated by the FAA. He wrote, "Airplanes and parts cannot be produced, financed, bought, sold, registered, and in many cases flown, without the active involvement of the federal government." Despite some furloughed FAA employees being called back to work, he wrote, "large parts of my industry still cannot function, including those requiring the support of organizations like the FAA Aircraft Registry. We have aircraft that are simply unable to fly under existing regulatory requirements as the registration expired just prior to the shutdown." It has limited the ability of aircraft owners to conduct business domestically and internationally as well as the ability to generate charter revenue. He also pointed out that as the shutdown wears on, the limited availability of aircraft parts will hurt their aircraft maintenance and avionics business.

#### **Leelanau County**

Manitou Island Transit is the ferry service that runs hikers and hunters from Leland to the Manitou Islands, which are part of the Sleeping Bear Dunes National Lakeshore. The company is the contractor working with the National Park Service since the 1970's. Since the shutdown, they have been told by the Park Service to completely cease their island service. Financially this means the company is losing five runs a week. With an average boat of 50 riders at \$35 per person, this equates to lost income of approximately \$8,750 in lost fares per week. Manitou Island Transit also runs a supply and gift store where the boat departs, parks cars at nearby parking areas, and makes supply shipments to both Islands. This boosts the lost gross income figure to over \$15,000 a week.

Like many businesses in Leelanau County, Cherry Republic's flagship retail location in Glen Arbor is heavily dependent on the traffic from the nearby Sleeping Bear Dunes National Lakeshore. With the park closed, there is noticeably less traffic in the area.

#### **Upper Peninsula**

DA Glass America located in Calumet, Michigan, has custom-made equipment coming from the parent company in Poland. The shutdown will delay the ability of DA Glass/Poland technicians to get work visas to come to the UP to set up and calibrate the equipment. With the passport offices shut down in the U.S. and in Poland DA Glass anticipates a delay of 2-4 weeks or more over the time it would normally take for the Polish technicians to get their work visas. The company believes any additional delays will seriously affecting the company's ability to meet those orders already on the books. DA Glass is one of the companies in Houghton County that is

expanding and has to date invested about \$10 million in its Calumet facility and has committed at least 102 jobs for Michigan with potential for more. Furthermore, with a company looking to locate next door to DA Glass as a related manufacturer, there is concern DA Glass difficulties due to the shutdown may scare them away.

#### **SBA Loan Program Shutdown**

Small businesses across the country are being hurt by the SBA loan program closure. Even though these loans are made by private banks or Community Development Corporations the loans require SBA approval. With SBA employees on furlough, loans are sitting in limbo while the small business projects they were funding such as purchase agreements or expansion plans are being halted. For instance, the Oakland County Economic Development & Community Affairs, a small business lender, said one deal that is in a holding pattern is Culvers Restaurant in Livonia that is awaiting approval on its \$2.6 million loan for its new construction. Every day that the loan is delayed pushes the construction further into the winter months.

The Rare Bird Brewpub is a start-up business that is using both a SBA 504 loan with the Economic Development Foundation of Grand Rapids and a SBA 7A loan with Northern Initiatives. The delays in SBA processing will delay their opening for an unknown period of time. They have delayed the build out of their facility with local contractors and a planned December opening indefinitely.

Other examples include:

- a power sport dealership in Almont is waiting on loan for \$565,000
- a steel treatment company in South Lyon is waiting on a loan for over \$3 million
- a payroll service company in Rochester is waiting on a loan for \$1.3 million
- a child day care facility in Livonia is waiting on a loan for over \$1.6 million

Similar examples exist of other CDC's across Michigan and the United States.

The small businesses testifying today will have many more examples of how their businesses are being harmed by the shutdown. This underscores the urgency of reopening the entire federal government as soon as possible.

Chair LANDRIEU. Well, thank you, Senator. I appreciate that. You have been a leader for many years yourself.

I am going to ask each member, because we have a large panel, and it is unusual, but we have set it up this way so we could be both formal, if necessary, and informal in questions and back and forth. Let us start with you, Ms. Smith, if we could. If you would, just introduce yourself and for one minute give your views about your business and how it is being affected. And then I have got questions to throw out to all of you as we continue this hour-and-a-half hearing. Thank you.

**STATEMENT OF JOANEANE SMITH, PRESIDENT AND CHIEF EXECUTIVE OFFICER, GLOBAL COMMERCE AND SERVICES, LLC**

Ms. SMITH. Okay. My name is Joaneane Smith. I am President and CEO of Global Commerce and Services. We are an information technology company based in New Orleans, Louisiana.

I am currently in D.C. because I have meetings with private industry clients. Originally, I planned on meeting with Federal Government agency clients. However, they are unavailable due to the shutdown. We are not able to meet with our small business representatives, our contracting officers, and our contracting officer representatives at the agencies to get assistance since they are furloughed, as well.

GCS was started with me being an independent contractor while working my own contracts before branching out to other agencies. We managed to get a line of credit for our business while using my property as collateral.

I have been asked to talk about the impact of the shutdown and how it has affected me and my company. The most compelling thing that has happened as a result of the shutdown is having my resources at home and not billing my USDA contract in New Orleans. The contract started September 1 of 2013 with three resources and we received a stop work order two weeks ago. USDA is one of our major agencies we work with.

In the interim, we are still paying salaries, health insurance, and other benefits for resources with hopes of starting back on our contracts soon. We currently have a total of 17 resources covering our contracts. GCS is a \$2 million company in revenue. Payroll is \$33,000 per month, and insurance is \$3,800 per month. We have approximately \$60,000 in reserves that we can use for payroll.

We are doing our best to keep our employees working, since they have already started the contract before the furlough. Another two weeks of the furlough, it will make it tough for us to continue to pay our employees who are not billable at this time. Another three or four weeks of the furlough, we will definitely have to have our own furlough.

There are contracts which we are anticipating awards. However, they have been placed on hold because of the furlough. GCS is pushing for the furlough to end so we can put our people back to work.

[The prepared statement of Ms. Smith follows:]



#### Testimony

I am Joaneane A. Smith, President and CEO of Global Commerce & Services, LLC (GCS) which is an Information Technology company in the New Orleans area. I am currently in DC because I have meetings with private business clients. I originally planned to meet with our federal agency clients but they were all unavailable due to the shutdown. We are not able to work with the small business representatives, contracting officers, and contracting officer representatives at the agencies to get assistance since they are furloughed as well.

GCS was started with me being an independent contractor while working my own contracts before branching out to other agencies. We managed to get a line of credit for our business while using my property as collateral. I've been asked to talk about the impact of the shutdown and how it has affected me and my company. The most compelling thing that has happened as a result of the shutdown is having my resources at home and not billing on my USDA contract in New Orleans. The contract started September 1, 2013 with 3 resources and we received a stop work order two weeks ago. USDA is one of the major agencies we work with. In the interim, we are still paying salaries, health insurance, and other benefits for two resources with hopes of starting back on the contract soon. We currently have a total of 17 resources covering our contracts. GCS is a \$2M company in revenue and payroll including taxes is \$32,670.00 per month. Also, health, dental, vision, life, and disability insurance, is \$3,787.77 per month. We have approximately \$60,000.00 in reserves that can be used for payroll. We are doing our best to keep the employees working since they have already started the contract before the furlough. Another two weeks of the furlough will make it tough to continue to pay employees that are not billable. Another three or four weeks of the furlough will force me to layoff resources. There are contracts which we are anticipating awards; however they have been placed on hold until after the furlough. GCS is pushing for the furlough to end so we can put our people back to work.



## **Joaneane A. Smith, President and CEO**

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### **SUMMARY OF QUALIFICATION**

Joaneane A. Smith is the President and CEO of Global Commerce and Services, LLC (GCS). She has more than 15 years experience in the Information Technology industry. Ms. Smith's previous experience includes close to a decade of software development where she was an integral resource for software implementation projects. She supported agencies and large corporations i.e. Department of Navy, Department of Army, Department of Agriculture, Smurfit-Stone Container, and University of Rochester to integrate technology solutions and services as a contractor.

She began her Information Technology career implementing PeopleSoft where she was awarded Top Achiever for Outstanding Performance and Achievements and also received the Star Performer Award. Since then, she was awarded SBA District Minority Small Business Person of the Year – Louisiana District, MED Week 2011. Ms. Smith is also a member of the Women's President's Organization.

Additionally, a large part of why Ms. Smith started GCS was the desire to be a job creator. More specifically, Ms. Smith always wanted to create opportunities for college students to obtain much needed work experience, as well as, provide internships to college students to increase their knowledge and pique their interest in the Information Technology field. (i.e., eCybermission STEM Program)

I am constantly motivated to improve myself and help others achieve success. I started GCS with the business and technology skills I attained and a vision of providing quality IT services to government agencies and corporate clients. I have done just that and looking to continue growing my business development. As a woman entrepreneur, I want to inspire other young women to pursue careers in science, technology, engineering, and mathematics.

### **Education**

M.B.A.- Louisiana State University, Baton Rouge, LA 1997  
 B.S.- Business Administration, Southern University at New Orleans, New Orleans, LA 1992  
 Goldman Sachs 10,000 Small Businesses Program, 2012  
 Tuck School of Business at Dartmouth, Growing the Minority Business to Scale, 2012  
 Darden Minority Business Executive Program, 2006  
 Small Business Administration Emerging 200 Institute, 2009

Chair LANDRIEU. Thank you, Ms. Smith.  
Mr. Leh.

**STATEMENT OF CHRISTOPHER J. LEH, PRESIDENT, TL  
TECHNOLOGIES, INC.**

Mr. LEH. Thank you, Madam Chairwoman, Senators, and fellow entrepreneurs. I wanted to take a quick moment just to thank you for the opportunity to tell my story about the success and the plight of my company, TL Technologies.

TL Technologies is a specialty manufacturer of precision metal components, supplying brand-name manufacturers and worldwide markets. Since its inception, the business has grown rapidly from an idea and is now poised with recently awarded projects to double in size in 2014.

To truly appreciate the predicament that we find ourselves in today, I believe it is really important for you to understand the investment that I, my family, and my business partner have made to build TL Technologies to be a \$1.2 million company.

We currently employ three people in the manufacturing sector. We were about four weeks into the process of securing additional capital to support the new business and we were being backed by an SBA 7(a) loan and we missed the window when the government shut down, so we cannot proceed with the purchasing of our equipment. We had to stop about \$600,000 worth of equipment from moving. We idled riggers, electricians, employees. We had already extended two offers of employment to highly educated CNC machinists who would make combined salaries of around \$130,000 a year with full medical benefits. We had to rescind those offers and we are completely and absolutely in a stall mode at this point.

[The prepared statement of Mr. Leh follows:]

Christopher J. Leh, Co-Founder and President, TL Technologies, Inc.

Committee on Small Business and Entrepreneurship Hearing

Madam Chairwoman Landrieu, Committee Members, Fellow Business Owners. I would like to start by thanking you for the opportunity to be here today and allowing me to share my personal Entrepreneurial story, as well as the success and plight of my company TL Technologies.

TL Technologies is a specialty manufacturer of precision metal components supplying brand name manufacturers and worldwide markets. Since its inception in early 2011 the business has grown rapidly from an idea and is now poised with recently awarded projects to double in size again in 2014.

To truly appreciate the predicament and situation that we find ourselves in today, I believe it's important for you to understand the investment that I, my family, and my business partner have made to build TL Technologies from an idea to a projected \$1.2M company in less than 2 and 1/2 years. We currently employ three people in the manufacturing sector.

My dream started in 1989 while I attended college full time at PSU and worked full time at Harley Davidson Motor Company. I started as an administrative assistant in the 500lb Bomb Department, a skill I learned while serving in the US Navy, here in Washington DC. At Harley Davidson, we manufactured tens of thousands of bombs for the US Army. What fascinated me was the amount of intellect and technology required to make it all happen. My passion for US Manufacturing was born, but more importantly, I immediately understood that a strong and powerful nation such as the USA had to focus it's efforts and resources to promote manufacturing. It's the lifeline to military strength, economic growth, job creation and a strong and powerful middle class.

Over the past 26 years, I always believed everyone in our nation's congress knew and understood the importance of this until just recently. What I believe now, is disheartening. For the first time in my life, while I am on the verge of my life time dream taking off beyond my wildest expectations, I believe the leaders of our government believe inaction and games of chicken are a good strategy for success. I'm terrified for the future of my employees, my family, and everything I have worked so hard for. Unfortunately, my terror is not because of my lack of hard work or the successful way I've grown the business, but because of the reckless and indiscriminate behavior of a few and a very small minority of individuals in our very own Congress.

I walked away from an Executive Career in manufacturing to start up TL Technologies. I gave up the six figure salary. I gave up the benefits. I gave up vacations and time with my family. I gave up the security. I cashed in and lived off my retirement savings while I worked and struggled 16 hours a day for years. My wife, Pam, and I collateralized our entire net worth and personal belongings. Everything I own and value is on the line as I stand here before you today. I'm no longer rich by any monetary standard. So now that you understand my investment in making the USA a better, stronger place, I would briefly like to explain how the actions of my government and their endless and constant inaction, as well as inability to find a place of compromise, have taken me to a place and a time where I now question my pride of being an American. My pride of having served this nation while in the Navy. My

pride in a US Flag, that was given to me by Vice Admiral Rowden when I left active duty, and now hangs prominently in my manufacturing facility in Ephrata PA.

TL Technologies was able to secure the necessary financing through our community bank when we started. Access to capital for expansion is the single most important factor that I deal with on a daily basis. Without access to capital, we can't purchase equipment for new projects, we can't grow, and we can't hire highly skilled, well compensated employees. Employees that receive full medical benefits, benefits that I want to provide as an entrepreneur and business owner. TL Technologies has been rapidly expanding for the past few years. We manufacture precision metal components using the newest and best technology available in our field. We are a Tier II supplier to the US Army as we just tooled up to manufacture a component for the Army issue M9 pistol.

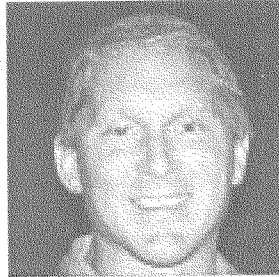
TL Technologies was recently awarded a new program to manufacture two unique parts for our customer, while at the same time, allow us to expand our capabilities into Manufacturing Assemblies. Our bank, Susquehanna Bank, has committed over \$1.5 million dollars to TL Technologies with an SBA backed 7(a) loan to support our new capital requirements and operating lines to cover not only this business, but all of the work that's currently in the pipeline.

Our problems are twofold. First, because of the shutdown, the SBA has been idled, effectively stopping us in our tracks. The immediate effect was powerful and crushing throughout our supply base. We had to cancel the delivery of two Automated CNC Machine Tools worth collectively about \$600,000. We immediately rescinded two verbal offers of employment. The two positions were for highly educated, CNC Machine Tool Operators with combined annual salaries of \$127,000 including complete medical benefits. We cancelled insurance premiums, material suppliers, component suppliers, electricians, and riggers. We had to tell my customer that we could not hold deadlines and had no ability to provide insight as to when we would be able to.

I cannot impress upon you, how disappointing that conversation is. It makes us an unreliable supplier and will undoubtedly alter their next sourcing decision.

Secondly, when the government does in-fact open back up, as we know it will, after playing chicken with each other, and unethically and repeatedly creating an absolutely unnecessary fabricated dilemma over the debt ceiling, the fate of every single small business person will be affected by an increase in interest rates. Over the life of our loan, 1 percentage point equates to over \$76,000. Money that for some small business owners would require them to layoff an employee, or not invest back into their business, and for others a good reason to simply not invest in America in the first place.

I stand here today, not as a Democrat or a Republican, but as a small business owner, beseeching you to find a way to stop the reckless behavior in which you and your fellow elected congress people have been utilizing to polarize the American people. I say with confidence that I know this can be done because I interact with Republican and Democrat business people on a daily basis. That's what we all want. If we can do it, my expectation is that you can do it. I implore you to find common ground that benefits those of us who have put everything on the line to make America stronger. I want to be a proud American again.



**Chris Leh**  
**President and Co-Founder**  
**TL Technologies Inc.**

Christopher J. Leh is President and Co-Founder of TL Technologies, Inc. TL Technologies is a specialty manufacturer of precision metal components supplying brand name manufacturers and worldwide markets. Since its inception in 2011 the business has grown rapidly and is now poised with recently awarded projects to double in size again in 2014. Mr. Leh received his BS in Management Information Systems from Penn State University in 1992 after proudly serving in the US Navy at Naval Sea Systems Command Headquarters (NAVSEASYS COMHQ) in Washington DC. During his 28 years of Manufacturing in Senior Management and Leadership positions at Harley Davidson Motor Company and Graco Children's Products, a division of Newell-Rubbermaid, he earned his MBA, with a Specialization in Human Resource Management, from York College of Pennsylvania in 2000. He currently resides in Stevens, Pennsylvania with his wife Pam where they raised three children.

TL Technologies is ISO 9001:2008 Certified and the owners have over 35 years of experience in the Metal Working industry. They have had the opportunity of serving industry leaders such as Harley-Davidson, Graco, Ford, GE, Chrysler, BAE, and Beretta. They are committed to the newest technology available in the Mill Turn and Swiss Screw Machine Industry.

Located in Lancaster, Pennsylvania, they operate in a State-of-the-Art facility where Safety, Quality and Customer Support are our most important priorities.

He has received the Navy achievement medal.

Chair LANDRIEU. Thank you.  
Ms. Firestone.

**STATEMENT OF LISA FIRESTONE, PRESIDENT AND CHIEF  
EXECUTIVE OFFICER, MANAGED CARE ADVISORS**

Ms. FIRESTONE. Chair Landrieu and distinguished members of the committee, thank you for this opportunity to testify this afternoon.

My name is Lisa Firestone. I am President, CEO, and owner of Managed Care Advisors, a woman-owned small business founded in 1997 specializing in employee benefits and workers' compensation. I also sit on the board of Women Impacting Public Policy, or WIPP.

MCA specializes in reducing the risks associated with work-related injuries and illnesses. Since 2005, our Federal agency customers have projected workers' compensation savings of more than \$100 million, which includes 440,000 avoided lost time days. Today, we hold six Federal contracts accounting for approximately 90 percent of our revenue. We have 39 employees in 16 States. We expect to hire more than 25 additional employees during 2014.

In many ways, our growth through public sector contracting is the success story that this committee seeks to promote, yet our company has been thrown into turmoil since the government shutdown. The new staff we have hired cannot complete their required security clearance, so I am forced to carry them longer than anticipated. New hires are also held up because the e-Verify system is not operational due to the shutdown. My 39 employees are working. However, it is uncertain when the company will be paid. In order to meet our financial obligations, we will be drawing on our line of credit, which we estimate can cover us for 60 to 90 days and no longer, and we are paying an interest rate of 4.5 percent.

During WIPP's annual meeting in Washington, D.C. last week, many women came forward to plead to Congress to open the government. They came from both political parties and made it very clear that we were not interested in assigning blame, that we just wanted a solution. Small businesses like MCA, who are draining our resources to cover the government's obligations, need to know whether there is a plan in place for expediting the payment of past-due invoices when Congress reopens the government.

I would like to end with a favorite quote. Nobody can go back and start a new beginning, but anyone can start today and make a new ending. I urge the Congress to work together in a bipartisan fashion to make a new ending, one that benefits all of us.

Thank you very much for the invitation to speak today. I look forward to questions.

[The prepared statement of Ms. Firestone follows:]



Testimony of Lisa Firestone

President & CEO

Managed Care Advisors

Submitted to the

Senate Committee on Small Business and Entrepreneurship

*"Small Businesses Speak: Surviving the Government Shutdown?"*

October 15, 2013

**Small Businesses Speak: Surviving the Government Shutdown?**

Chair Landrieu, Ranking Member Risch, and distinguished Members of the Committee, thank you for the opportunity to testify this afternoon.

My name is Lisa Firestone. I am President, CEO and owner of Managed Care Advisors (MCA) -- a woman-owned small business specializing in employee benefits, disability and absence management, and workers' compensation case management. Based in Bethesda, Maryland, MCA services customers throughout the United States. Since 2005, MCA has supported federal agencies in improving outcomes, reducing costs and avoiding unnecessary vocational disability due to work-related injuries and illnesses under the Federal Employees' Compensation Act (FECA). MCA holds two contracts with the General Services Administration (GSA) and is certified as an Economically Disadvantaged Woman Owned Small Business (EDWOSB). I also sit on the Board of Directors of Women Impacting Public Policy (WIPP), a nonpartisan public policy organization advocating on behalf of 4.7 million businesswomen and 75 organizations nationwide.

I am here to address the damaging effects of the government shutdown on small businesses—effects that are very real for our company and me personally.

As background on my company, I founded Managed Care Advisors (MCA) in 1997 as a consulting firm specializing in employee benefits, workers' compensation, disability management, and managed Medicaid programs. In 2002, MCA was asked to participate as technical experts in a Congressionally mandated study to determine if industry best practices for workers' compensation case management could be successfully applied to civilian employees of the federal government under the Federal Employees Compensation Act. The short answer was yes.

In 2005, MCA established a joint venture that successfully won a contract with the Transportation Security Administration (TSA). Today, MCA holds six (6) federal prime contracts and three (3) federal sub-contracts. We are focused on reducing the risk of delayed recovery and avoiding unnecessary vocational disability associated with work-related injuries and illnesses, ultimately improving productivity and saving the government money. Since 2005, our federal agency customers have projected savings of more than \$100 million in worker' compensation costs, including 440,000 avoided lost-time days due to on-duty injuries and illnesses.

One key to our success has been providing support to employees in accessing necessary care in a timely fashion, an important ability threatened during the shutdown. Some healthcare providers are hesitant to see and treat federal civilian employees covered under federal workers' compensation fearing that they will not get paid by the government.

From a fiscal standpoint, I am equally concerned and frustrated by the shutdown. Government contracts now account for approximately 90% of our company's revenues. We have 39 employees in 16 states and project we will hire 20-25 new employees in the next 12 months. We have experienced revenue growth of 30-40% per year for the past three (3) years, and our staff has grown by 400%. In many ways, our growth through public sector contracting is the success story this Committee and small business advocates seek to promote.

Yet, our company has been thrown into turmoil since the government shutdown. My thirty-nine employees are working; however, it is uncertain when the company will be paid. In order to meet our financial obligations, we will be drawing on our line of credit—which we estimate can cover us for 60-90 days. MCA was awarded a very large contract on September 27, 2013, and we have been preparing to hire additional staff as is required for the contract. Unfortunately, the money to hire and train additional staff is tied up in covering expenses from the government's obligations. The new staff we have hired cannot obtain the security clearances required for our contracts, so I will have to carry them longer than expected. New hires are also held up because the E-Verify system is not operational, due to the shutdown. As you know, every government contractor is required to use the system to hire employees. Currently, there is nothing to do except sit, wait and lose the precious resources of time and money.

As of October 10, our outstanding government receivables will require us to borrow from our line of credit at 4.5% interest to pay our employees. In addition we are losing approximately \$15,000 per month in revenue due to a stop-work order.

On a personal note, my husband, a PhD biochemist with the Office of Children's Protection at the Environmental Protection Agency (EPA), has been furloughed. His "not essential" status also led to furloughs earlier in the year due to sequestration.

Finally, just last week I attended the annual meeting for Women Impacting Public Policy (WIPP). I was not the only attendee struggling to survive through the government shutdown. During one of our sessions, many women came to the microphone to plead with the Congress to open the government. These women business owners shared stories of the ripple effects the government shutdown have had on their business. They come from both political parties and made very clear that they were not interested in assigning blame—they just want a solution. WIPP's message to Capitol Hill is that the dysfunction in Congress has gone on long enough. We are calling for an end to holding the federal budget hostage to political whims.

As a small business owner I have taken advantage of the hard work that has gone into building federal procurement opportunities for small businesses. While we are America's job creators, we are also on the front lines of the economy—taking the risks and responsibility required to meet a payroll and succeed. To me, the very thought that the stewards of the taxpayers' money are leveraging our dollars to score political points is repugnant.

Small businesses have led the way in bringing the economy back from the recession. But we cannot overcome the obstacles of a government shutdown, eroded consumer confidence or any question of the full faith and confidence in the US government. We cannot sustain a government shut down much longer. The result will be layoffs and if my firm is any example, we will struggle to regain the ground we lost when the government shut down. We shudder to think of the consequences of Congress failing to raise the debt ceiling.

In the event that the Congress does reopen the government, small businesses like MCA need to know whether a plan exists for getting invoices paid in a timely fashion. It seems to me that Congress should let federal contractors know what to expect.

I would like to end with a favorite quote: "Nobody can go back and start a new beginning, but anyone can start today and make a new ending." I urge the Congress to work together in a bipartisan manner to make a new ending—one that benefits us all. Thank you for the invitation to speak today, I look forward to your questions.



**Lisa M. Firestone, MHSA** is President and Owner of Managed Care Advisors, Inc. (MCA) a woman-owned, employee benefits and disability management consulting and full service workers' compensation Case Management Company. Based in Bethesda, Maryland, MCA services customers throughout the United States and U.S. Territories.

Ms. Firestone has been involved in the healthcare industry for more than 30 years gaining recognition for her expertise in the areas of employee benefit program development, evaluation, and strategic planning. She has been actively involved in the evolution of workers' compensation case management and disability management programs, most recently focusing on the federal workers' compensation and disability systems.

Ms. Firestone started her career in hospital administration at a large university-based medical center, followed by more than six years as a health benefits consultant and practice manager with The Martin E. Segal Company and American International Healthcare. Prior to founding MCA in 1997, Ms. Firestone served as Vice President and Principal with Managed Care Options.

Ms. Firestone is on the Board of Directors of Women Impacting Public Policy (WIPP), and is a member of the WBENC Certification Committee.

MCA is certified by WBENC as a Women's Business Enterprise, by the Maryland and Georgia Departments of Transportation as an MBE, has been awarded two GSA Schedule Contracts (MOBIS & HR/EEO), and is third party certified as an Economically Disadvantaged Woman Owned Small Business (EDWOSB). MCA and Firestone were the recipients of the 2011 VIP Teaming Partner of the Year by American Express Open, MCA was named a Top 50 Woman Owned Business in Maryland for a 2<sup>nd</sup> Year by Diversity Business and Ms. Firestone was recently selected as a SmartCEO BRAVA Award winner.

Ms. Firestone has an undergraduate degree from the University of Delaware and a Masters degree in Health Services Administration from George Washington University.

Chair LANDRIEU. Thank you very much, Ms. Firestone.  
Mr. Griffall.

**STATEMENT OF KEITH GRIFFALL, CHIEF EXECUTIVE  
OFFICER, WESTERN LEISURE, INC.**

Mr. GRIFFALL. Thank you, Chairwoman Landrieu and all the members of the committee. I really appreciate you having the foresight to have us come here and tell our stories, and hopefully, we will make it clear that this is devastating to small businesses.

I am the founder and CEO of a small tour operator located in Salt Lake City, Utah. We operate tours and they are customized group travel tours for other tour operators and special interest groups. Most of our tours operate in the Western United States, and consequently, we include national parks, monuments, and recreation areas in almost all of our tour programs. It would be pretty hard to overstate the adverse economic effects this shutdown of the government and the national parks has had on small businesses and entire communities of the Western United States.

I am here not just to represent my company, which is managing to hang in there for the moment, but there are thousands of small businesses that are related to the tourism industry. It is an industry which is populated mostly by small and very small businesses, and as a tour operator, we use these businesses on every program we operate, everything from hotels, attractions, motels, gift shops, restaurants.

These businesses were immediately affected by this shutdown and they are suffering and many of their workers will never see this money come back, and certainly the companies will not, either. This is not something they are going to get back pay for. If you work in a restaurant and you make tips for a living and no one shows up to your restaurant, you do not get that money back. So it is the type of thing that truly has been difficult for the tourism industry.

The first years of the 21st century have been very difficult for the tourism industry and we have, as a small tour operator out West, still suffered from all of these. Obviously, the first one was the terrible events of September 11, 2001. It took us about three years to recover from that, and fortunately, we had loans from the Small Business Administration to get through that time frame.

The natural disasters that have come from Hurricane Katrina, which I am sure Senator Landrieu would be more than familiar with, Western forest fires, Superstorm Sandy, and on to the difficult economic times of 2008, which have just this year turned the corner, where tourism businesses are coming back to where they were before 2008. People had confidence. They began to spend their money on travel again.

And now we have the government shutdown of 2013, which is just one more devastating blow to the small businesses, not just in the Western United States but certainly throughout America. Thank you.

[The prepared statement of Mr. Griffall follows:]

UNITED STATES SENATE  
COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

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*Small Businesses Speak: Surviving the Government Shutdown?*

TESTIMONY OF KEITH GRIFFALL  
FOUNDER AND CEO OF WESTERN LEISURE, INC.

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OCTOBER 15, 2013

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Thank you, Chairwoman Landrieu, Ranking Member Risch and members of the Committee for inviting me to testify this morning on the effects felt by my business and other small businesses due to the Government Shutdown. Although I am testifying this morning on the immediate consequences of the Government Shutdown which started October 1, 2013 I will also address some of the long term effects this has on the tourism industry.

Western Leisure, Inc. is an inbound tour operator that develops and operates customized group travel programs for tour operators, travel agencies, and special interest groups. Most of our tours operate in the western United States and consequently we include National Parks, Monuments and Recreation Areas in almost all of our tour programs. We have been in business for 33 years and would be considered a small to medium size tour operator.

The first decade of the 21<sup>st</sup> Century has been a true roller coaster for small businesses involved in the tourism industry starting with the terrible events of September 11, 2001, natural disasters from hurricane Katrina to western forest fires to super storm Sandy, on to the difficult economic times after 2008 and now the Government Shutdown of 2013, which is one more devastating blow to tourism. It would be hard to overstate the adverse economic effects this shutdown of the Government and National Parks has had on small businesses and entire communities of the western United States.

Utah alone has 5 National Parks, 6 National Monuments and 2 National Recreation areas, not to mention the 7 national forest and many other government lands which all together total 67% of the state. Of course this leaves out the crown jewels of the National Park system, Yellowstone, Grand Teton, Grand Canyon, Yosemite and Glacier which greatly affects Wyoming, Montana, Idaho, Arizona and California. Without access to these parks and monuments the gateway communities, which are almost entirely comprised of small businesses, are devastated.

The U.S. Travel Association released a new analysis that estimates the partial government shutdown costs the U.S. \$152 million a day in economic output due to lost travel-related activity, affecting as many as 450,000 American workers directly or indirectly supported by the travel industry. The economic difficulties this type of disruption creates cannot be underestimated. Let me give you some examples based on the experience of my own business.

Tour Operators rely on suppliers of all types to fulfill the vacation dreams of travelers and most of the components of a tour are provided by small businesses such as hotels, motels, restaurants,

attractions, gift shops and transportation companies. We typically run 10 to 20 motorcoach tours during the month of October with 35 – 50 passengers on each departure. These tours cost between \$1600 to \$2500 dollars each which means each tour is worth \$50,000 to \$125,000 in revenue. The vast majority of this money goes to pay all the small business suppliers that make up a tour. We are one small tour operator among hundreds that these small business suppliers rely on for their income.

In the first week of the shutdown a trickle of cancellations became a torrent and after the shutdown continued we have now cancelled several tours entirely and other operators that I have spoken with have cancelled multiple tour departures. Tour Operators and most of the small businesses involved in tourism are seasonal businesses and many don't show a profit until September of any given year. That is because the typical travel season in the United States is June – October.

Certainly there is travel other times of the year, but these months are when most of the income is generated. That profit is what gets you into the next year and provides for salaries, overhead, marketing and other expenses which you spend to generate business for the next travel season. When there is a government shutdown during any season it puts the continued viability of these businesses at great risk. What could have been a profitable year turns into a loss or just doesn't generate enough income to make it into the next travel season.

Small towns such as Springdale, Utah; Tusayan, Arizona; Driggs, Idaho; West Yellowstone, Montana; Jackson, Wyoming and Moab, Utah rely heavily if not entirely on travel dollars and by closing these National treasures the government and its representatives have imposed a tremendous economic hardship on their residents which could have been avoided. According to a "Government Shutdown Survey" conducted by the National Tour Association this impact is stretching from coast to coast, with member companies in all but four states indicating they are experiencing an effect of the shutdown. Nearly 44% of the operators surveyed indicated they have had to cancel at least one tour because of the shutdown and the average negative economic impact is nearly \$200,000 (\$184,750) per company. This loss filters down to thousands of small business operators who rely on revenue from tourism.

This type of man-made crisis creates immediate losses to thousands of small businesses but also has long term effects which can even further depress the travel market going into the future. This is particularly true of the foreign markets that will not trust making long term travel plans when they can't be sure that this type of shutdown won't happen again in the near future. Haybina Hao of the National Tour Association in talking about the effects on the Chinese market has said, "The tour operators I talked to are really scrambling to find alternative activities, including a tour operator who has more than 20 groups in the U.S. this week. Compared to other countries that utilize creative ways to lure Chinese tourists, the U.S. shutdown will shatter the confidence of international travel companies."

Beyond this there is of course the economic difficulties of laid off employees and their families, lost tax revenues to each of the cities and states involved as well as the lost entrance fees that are generated by the National Parks. There is encouraging news that some National Parks may open soon but travel is not something that you can turn off and on at will. The economic effects of this shutdown are not recoverable by the affected small businesses, their thousands of employees, or their communities and it will have long term consequences for future business.

Thank you for allowing me the opportunity to testify today and I appreciate your efforts in understanding the difficulty this event has imposed on thousands of small businesses. I would urge you to please find ways to end this shutdown as soon as possible and assure the American people that it won't be a recurring event.

**KEITH GRIFFALL**  
**Founder and CEO**  
**Western Leisure, Inc.**

Keith Griffall is CEO of Western Leisure, Inc., in Salt Lake City, Utah. For over 30 years, Western Leisure has provided both the domestic and international travel markets with a wide range of inbound travel services which include custom designed group travel, private label tours, soft adventure and FIT programs.

Keith started in the tour industry managing domestic and international tours for Tauck World Discovery, Travcoa, and Maupintour. He was the Juneau, Alaska office manager for TravAlaska and sales manager for several tour operators before he established Western Leisure in 1979.

Keith has served three terms on the National Tour Association Board of Directors and was the President of the National Tour Association in 1998. He has also served 2 terms on the board of the United States Travel Association, and is presently a member of the Executive Board of Visit Salt Lake, the Convention and Visitors Bureau. He served as Chairman of Visit Salt Lake in 2011. He has also served a number of years on the University of Utah Tourism Advisory Board, and Best Western's Tour Operator Advisory Board.

In addition to an active role in the hospitality industry, Keith was an adjunct professor at the University of Utah for 14 years, where he taught classes in group travel and tourism. He is a Certified Tour Professional and has received many awards including the Utah Professional Tourism Achievement Award and the NTA Group Travel Marketing award. In 1998, a scholarship fund was established in his name, to be awarded yearly to a Utah college student majoring in the Travel/Tourism industry.

He has been a featured speaker at many industry functions including the National Tour Association, American Bus Association, VusaMart, Best Western International Convention, International Association of Fairs and Expositions, ITA Hong Kong and numerous State and Regional Travel Conferences.

Chair LANDRIEU. Thank you.  
Ms. Poole.

**STATEMENT OF SABRINA B. POOLE, PRESIDENT AND CHIEF  
EXECUTIVE OFFICER, SERDI, LLC**

Ms. POOLE. Good afternoon, Honorable Chair, Ranking Member, and members of the committee. I am Sabrina Poole, President and CEO of SERDI. SERDI is a small disadvantaged woman-owned certified 8(a) information technology firm providing IT consulting services to the Federal Government. So, basically, the Federal Government is our number one, you know, source.

I am pleased to be here today to discuss the impact of what the shutdown has to my company. I cannot even begin to speak, because it has been quite from one extreme to the other. We have had to lay off our billable and non-billable staff, which means that the current contract that we do have that is ongoing, where we have not had a stop work order, we do not have anyone to really oversee the contracts, which is on the DOD side. This means that our revenue is going to be down and we are not, compared to large companies, we do not have deep pockets where we can afford to have folks stay on the payroll, so we were forced to lay off. We could not do like you did and keep them on the payroll for an extended amount of time.

The financial impact has been really horrible. Our revenues are down about 25 percent and it has continued to go down from there. Most of our employees are not billable, which means that we have a big decrease in revenue and we will see this decrease for several months because as the government invoice cycle continues to progress and the new contracts we have won, there are no task orders on them, we think that it probably will take us about a year to recuperate some of the losses we have had.

Similar to Ms. Smith, we worked for the last six months to capture work, which you spend six months capturing and winning work. We won the work. In September at the USDA, the same thing happened. They pulled the plug. The State Department has been ongoing for our essential personnel. The FAA pulled the plug. The IRS pulled the plug.

And so all my employees, I now have them on unemployment. Our staff has been laid off and they are going for unemployment benefits. There has been a lot of talk about the Federal workers being paid. I have yet to hear about the contracting staff, so they know they will not be paid for this time off.

Ultimately, my fear is that a lot of my good employees, my good qualified employees, are going to be looking for work in the commercial industry, and some of them who have security clearances that cannot afford to pay their bills, it will impact them as they come up for reinvestigation, because as part of reinvestigation for your security clearance, you cannot be late on any bills, and most of my contracts have security or TS-level clearances. So I am really concerned about that.

My last point is I am really concerned that I will be forced to close my business if a resolution is not reached quickly. Myself and other small businesses may be forced to close our doors. And my fear is also if one company closes its door, then a handful of folks

are impacted. If numerous companies are forced out of business, then it becomes the large business take over, which puts the small business exactly where we were before, where we fought over the last ten years for me personally to get to.

In conclusion, we have sacrificed, struggled, and slowly make progress as a woman-owned small business and the shutdown is threatening to destroy all our progress, wiping away ten years of sacrifice. I am an IT expert. I can always go back to work. It is not something I want to do, but if that is what I have to do, I will do it to feed my family.

To me, it is disturbing that the government has caused SERDI and other small businesses to lose employees and significantly impacted our revenue. How can we make up for the loss of revenue? How are our employees going to pay their mortgages and feed their families? And, lastly, how are small businesses supposed to survive?

I agree with the rest of the panel members. I do not care about Democrat or Republican. I just want a solution and I am praying to God that one comes very quickly.

Thank you very much.

[The prepared statement of Ms. Poole follows:]

- **Testimony of Sabrina Poole**

I am Sabrina Poole, President and CEO of the Systems Engineering Research Development Institute (SERDI). SERDI is a woman-owned small business, ED-WOSB, and certified 8(a)/Small Disadvantaged Business (SDB). Founded in 2003 by a group of Information Technology experts, SERDI provides critical and non-critical engineering and professional services to the Federal Government, Defense Contractors, and the Commercial Industry.

As a Senior Information Technology leader with over 20 years of experience in Federal and commercial consulting arena, my personal accomplishments include the design and development of several successful security architectures and designs of a variety of complex, distributed information system solutions for the FAA, DOD, and other Federal Agencies.

In the role of CEO, I am attempting to transition SERDI from small consulting practice to a fast-growing, information technology solution provider with an outstanding track record of successful government and private sector contracts.

I am pleased to be before the committee today, testifying for Small Business Speaks: Surviving the Government Shutdown, specifically the impact and consequences to a small business.

I have a number of concerns; however, I will limit my discussion to my 4 primary concerns. These areas of concerns are:

- Providing Support to the Government - Due to the shutdown, we have been forced to lay off both billable and non-billable staff. Therefore, in addition to not supporting the contracts that have been shut down, this means that our few ongoing contracts may not be receiving the support they need. Small businesses do not have the "deep pockets" that a large company may have to ensure that essential staff continue to be employed.
- Financial Impact - As a result of the shutdown, our company revenue projections for this quarter are down approximately 25% - and this number is growing. Our employees are not billable, therefore the decrease in revenues will continue to impact the company for several months as payments are processed through the Government's invoice cycle. Where we have won contracts, new Task Orders are not being processed since agencies do not have sufficient staff to process the task orders. We had forecasted and counted on this new revenue for operations. Where we are a subcontractor, payments from our prime contractor will also be delayed due to the shutdown.
- Our Staff - Our laid off employees are now filing for un-employment benefits. Some Federal employees are being recalled; unfortunately no contractor employees have been recalled. Federal employees may (or may not) receive back pay for this time period; contractor employees know that this is an unpaid time period. Ultimately, good qualified employees

may leave Federal contracting, ultimately resulting in the Government receiving a lower quality of service.

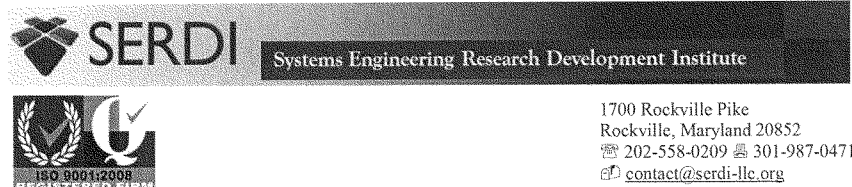
- Forced to close the business – if a resolution is not quickly reached, we - and other small businesses - may be forced to close our doors. If one company closes its doors, then a handful of people are impacted. If numerous companies are forced out of business, there will be less completion for Government contracts, resulting in Government contracts having higher costs and lower quality of work. Our Government is founded on completion between companies; the shutdown may have an unexpected and negative impact on this completion. If the shutdown continues and a number of small businesses are forced to close, only large businesses will remain to support the Government.

In conclusion, we have sacrificed, struggled and slowly made progress, moving our business forward. This shutdown threatens to destroy all our progress, wiping away 10 years of sacrifices.

It is disturbing that the Government has caused SERDI to lose employees and significantly impacted our revenue. How can we make up for this loss revenue? How are our employees going to pay their mortgages and feed their families? How are small businesses supposed to survive?

Thank you for allowing this small business to provide relevant input to the consequences of the Government Shutdown. I stand ready to answer any questions you might have.

Thank You



05-15-13

Ms. Sabrina Poole serves as the President and CEO of SERDI; Subject Matter Advisor to various Government and Commercial senior executives in areas of Cyber Security, Program/Project Management, Systems Engineering, Software Engineering, Human Factors Engineering and Enterprise Architecture.



As a Senior Information Technology leader with over 20 years of experience in Federal and Commercial consulting, Ms. Poole is transitioning SERDI from a small consulting practice to a fast-growing, information technology solution provider with an outstanding track record of successful government and private sector contracts.

Ms. Poole earned a BSc. and MSc. in Computer Science at the University of Maryland and is a distinguished member of the National Gold Key Honors Society.

SERDI is a small, woman-owned, certified 8(a)/Small Disadvantaged Business (SDB) providing subject matter expertise (SME) services to Federal, State, and commercial clients. Founded in 2003 by a group of Information Technology experts, SERDI provides superior engineering and professional services to the Federal Government, Defense Contractors, and commercial industry.

**Sabrina B. Poole** | President & CEO | SERDI  
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Chair LANDRIEU. Thank you.  
Mr. Singh.

**STATEMENT OF BARUN SINGH, FOUNDER AND CHIEF  
TECHNOLOGY OFFICER, WEGOWISE, INC.**

Mr. SINGH. Thank you, Chairwoman Landrieu and members of the committee for the opportunity to speak today. I am here as founder and CEO of WegoWise, a Boston-based web start-up that is helping solve one of our nation's most pressing challenges by improving the efficiency of the buildings in which we live and work.

In just over three years, WegoWise has grown from idea to industry leader, with 32 employees and contractors. We help organizations across the country identify inefficient buildings and uncover savings, which creates new jobs for auditors and contractors, reduces expenses for building owners, and increases tenant comfort. By drastically reducing energy consumption, we are also supporting our nation's energy independence goals.

Many of our customers manage market-rate buildings in the private sector. At the same time, we are very proud to have helped our home State of Massachusetts identify over \$300 million of potential energy savings in affordable housing. We also help local governments better understand their utility expenses. That includes the City of New Orleans and Los Angeles.

We are proud participants in the American system of entrepreneurship. It has allowed a company like ours, with innovation and hard work, to thrive and to transform society for the better. We are a mission-driven for-profit enterprise, meaning we believe business should provide meaningful value in a self-sustaining way.

Our model of innovation relies, however, on a supportive public sector. Government has been vital to the efficiency industry. Every American household knows the value of buying an Energy Star appliance. The same thing is happening today with buildings themselves. The EPA's Portfolio Manager tool provides a mechanism for buildings to receive Energy Star scores. This drives the construction of more efficient buildings and investment in efficiency retrofits. The government is essentially helping the market work the way it was meant to work, by presenting consumers with clear information and thus catalyzing economic activity.

The shutdown has prevented the EPA from offering its Energy Star services. Anyone relying on these tools is being forced to defer decisions regarding building efficiency upgrades. These upgrades create local jobs that cannot be outsourced. These are the jobs of the new economy, and building efficiency can add a trillion dollars and create 3.3 million job years to the economy. The shutdown is directly slowing the growth of this vital sector of our economy.

We have invested significant resources into creating technology to integrate with Portfolio Manager. We have had to delay one contract and have been fielding concerned calls from current and potential customers that may result in further delays. For companies like ours, the investments we make in product development, marketing, and sales come from a very limited set of resources and we are sensitive to unexpected changes in cash flow.

Entrepreneurs and small business owners already face tremendous odds, and government has a role to play in fostering success.

The current shutdown adds a significant amount of uncertainty to the market, which increases our risk and makes it more difficult for us to grow our business.

Thank you.

[The prepared statement of Mr. Singh follows:]

United States Senate  
Committee on Small Business and Entrepreneurship

Testimony of Barun Singh  
Founder/ CTO of WegoWise, Inc.

October 15, 2013

Thank you Chairwoman Landrieu, Ranking Member Risch, and members of the committee, for the opportunity to speak with you today.

I am testifying today in my capacity as a Founder and Chief Technology Officer of WegoWise, a Boston-based web startup that is helping to solve one of our nation's most pressing challenges by improving the efficiency of the buildings in which we live and work. The gains from our work are economic, environmental, and social.

In just over three years, WegoWise has grown from an idea in the minds of the three founders to an industry leader with 22 full-time employees and 10 contractors. Our web-based platform provides utility tracking, analytics and benchmarking services at a very low cost to individuals and organizations across the country. We help property owners and managers identify inefficient buildings and uncover high-return savings opportunities. In doing so, we create new jobs for auditors and contractors, reduce expenses for building owners, and increase tenant comfort. By catalyzing investments that drastically reduce building energy consumption, we are also supporting our nation's energy independence goals.

We work across a diverse cross-section of the economy. Many of our customers manage market-rate buildings in the private sector. At the same time, we are proud of our contributions toward a more resilient affordable housing sector. For example, in our home state of Massachusetts, we have helped identify over \$300M in potential lifetime energy savings within the affordable housing community as part of a statewide efficiency program.

We also help local governments better understand their utility expenses. The City of New Orleans is using WegoWise to track its municipal portfolio, ranging from City Hall to small libraries and fire stations. We are the designated data platform for the Los Angeles Better Buildings Challenge, where a successful initial pilot has encouraged the city to track hundreds more of its municipal buildings.

We are proud participants in the American system of entrepreneurship. It allows a company like ours—seeded with innovative ideas and cultivated by hard work—to thrive, and to transform markets and societies for the better. WegoWise is a mission-driven for-profit enterprise. We believe that business should provide value in a self-sustaining way, and we also believe in doing work that has true meaning.

We hope that our model for growing a business that provides multiple layers of returns to society will represent the future of American entrepreneurship. This model of innovation can only exist, however, with a supportive public sector.

As citizens, we are often presented with a false dichotomy between public and private mechanisms for growth and prosperity. In reality, any entrepreneur or investor knows that the support, stability, and regulation provided by government are critical to a growing economy.

The importance of the public sector has been patently manifest in the efficiency industry. Nearly every American household understands the value of buying appliances with an Energy Star label. By creating a single identifiable standard, the federal government provided manufacturers with a clear way to show consumers the impact of their research and development efforts. The government essentially *assisted* the market in working the way it is meant to work, by presenting consumers with clearer information.

We are seeing the same effect today on a broader scale in the building efficiency market. The EPA's Portfolio Manager tool provides a mechanism for buildings to receive Energy Star scores. This, in turn, helps developers invest in creating more efficient buildings. Portfolio Manager has also unlocked a mechanism for state and local governments to enact energy benchmarking regulations. We know through experience that benchmarking energy and water use leads to increased investment in building efficiency retrofits. Once again, these government efforts help provide consumers with clearer information so that they can make more informed decisions.

The public sector cannot, and should not, undertake the task of making all of our nation's buildings energy-efficient. Government can and should, however, help provide capital and consumer markets with better information to catalyze economic activity. This is exactly what the EPA and DOE have been doing within the building efficiency sector.

The current government shutdown has prevented the EPA from offering its Energy Star and Portfolio Manager services. Companies and individuals relying on these tools are being forced to defer decisions regarding building efficiency upgrades. Efficiency upgrades create local jobs that cannot be outsourced. These are the jobs of the new economy, and their potential is enormous. The Rockefeller Foundation and Deutsche Bank estimate that energy retrofits can add \$1 trillion to the economy and create 3.3 million job years. The shutdown is directly slowing the growth of this vital sector of our economy.

WegoWise has invested significant resources into creating technology to integrate with Portfolio Manager, and our offerings around this integration represent a limited but growing part of our business. The shutdown has forced us to delay one contract by almost a month, since we are unable to provide the customer with a

solution until the EPA tool is active again. We have also been fielding concerned calls from both current and potential customers that may result in further delays.

For companies like ours, the investments we make in product development, marketing, and sales come from a very limited set of resources. We are also especially sensitive to unexpected changes in cash flow. Entrepreneurs and small business owners face tremendous odds, and government has a role to play in fostering success. The current shutdown adds a significant amount of uncertainty to the market, increases our risk, and makes it more difficult for us to grow our businesses.

Thank you for the opportunity to testify in front of you today. I am happy to answer any questions the committee might have.

Barun Singh  
Founder/ CTO  
WegoWise, Inc.

Barun Singh is a founder and Chief Technology Officer of WegoWise, a company he created out of a vision to drive meaningful reductions in energy and water use. WegoWise is democratizing energy efficiency by putting powerful and intuitive analytics in the hands of decision-makers at all experience levels. Barun built WegoWise's utility analytics platform, and leads all aspects of product development and technological innovation.

In just a few years, WegoWise has become an award-winning industry leader, emerging as a new standard that is driving how individuals, organizations and governments think about efficiency programs and investments. It has produced measurable and significant social, economic and environmental returns across the United States. WegoWise is based in Boston, MA.

Barun began college at the age of 12, and holds three graduate degrees. These include two from MIT, where he worked in the Computer Science and Artificial Intelligence Laboratory and was awarded a patent for his research in computer vision. He was also elected to, and served as a member of, the MIT Corporation. Prior to founding WegoWise, Barun was owner and CEO of Thinkify, an Internet technology development and consulting company.

Chair LANDRIEU. Thank you, Mr. Singh. I am glad that Senator Shaheen came in right before your testimony. She has been the leader on building efficiency here in the Senate. We recognize her leadership and thank you very much.

Ms. Robertson.

**STATEMENT OF SALLY B. ROBERTSON, PRESIDENT AND  
CHIEF EXECUTIVE OFFICER, BUSINESS FINANCE GROUP, INC.**

Ms. ROBERTSON. Thank you, Chairman Landrieu. I wanted to—

Chair LANDRIEU. You have to press your button and speak into your mic, if you would. Lean forward. There you go.

Ms. ROBERTSON. Sorry. Thank you very much, Chairman Landrieu. It is a pleasure to be here today and I thank you and the members for the opportunity to speak. I also wanted to let you know how much we appreciate the example that you have set in this committee for the rest of Congress in working together and compromising to bring back 504 debt refinancing, which is in the best interest of small business.

The impact of—well, first, I am Sally Robertson. I am the President of Business Finance Group. We are a nonprofit Certified Development Company providing 504 financing in Maryland, D.C., Virginia, and West Virginia. I am also the Chairman of the National Association of Development Companies and our 270 CDC members do 95 percent of the 504 loan volume in the country.

The government shutdown has had a very large impact on 504 lending. Clearly, there are no new loan applications being approved. One thing that is often overlooked is that we are fixed asset financing, and so borrowers enter into contracts to buy fixed assets. Those borrowers have deposits at risk. If they are unable to meet settlement deadlines because they do not have financing in place or because other post-approval documents have not been approved by SBA, they are at risk of losing not only those deposits, but all the feasibility costs that they have poured into these projects. And to say these borrowers are also expanding their businesses and they are losing opportunities for growth if we are not able to get their applications released so that they can close on their transactions. Additionally, 504 businesses create jobs and none of those jobs are going to be created.

We fund our projects through a bond sale process. Should the Federal Government default on its obligations, we have no idea what value that full faith and credit guarantee of a U.S. agency will be in the marketplace. We risk much higher rates for our borrowers forward into the future, and we are very concerned that our November bond sale may not occur if SBA does not return to work very shortly. Our deadline is now for SBA to be moving packages forward into the bond sale process. Hundreds of loans are already closed on a nationwide basis in anticipation that sale will occur. Should it not occur, those loans are going to have to be re-closed at somebody's cost, unfortunate that small businesses would have to pay for it.

And then we run the risk of what is the perception of our bank partners if they do not receive their paydown in a timely fashion? Are they going to charge small businesses more for interim loans

in the future? And if investors feel our sale is not a dependable, timely product, are they going to continue to buy it at the same rates? I think we are looking at much higher costs for our small businesses, and that would be a tragedy, I think, for a 504 program which is so valuable for small businesses that are expanding and creating jobs.

Thank you very much for the opportunity to talk today and I would be happy to answer questions.

[The prepared statement of Ms. Robertson follows:]

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**STATEMENT**

By

**Business Finance Group Inc.**

On

**Impact of the Government Shutdown on  
Small Businesses**

Submitted to the

**UNITED STATES**

**SENATE SMALL BUSINESS AND ENTREPRENEURSHIP  
COMMITTEE**

By

**Ms. Sally Robertson**

President & CEO  
Business Finance Group, Inc.  
Fairfax, VA.

October 11, 2013

Thank you for the opportunity to provide a statement to the Senate Small Business and Entrepreneurship Committee about the impact of the government shutdown on small businesses.

I am the President of a non-profit Certified Development Company located in Fairfax, VA. We provide SBA 504 financing to small businesses in Maryland, Virginia, the District of Columbia, and 4 West Virginia Counties. The SBA 504 loan program helps growing small businesses acquire real estate or machinery and equipment with an attractive financing package. These growing companies then have the financial resources to expand and create jobs. We have helped over 2,800 small businesses finance \$3.2 Billion in projects resulting in the creation of over 31,000 jobs.

I also serve as the Chairman of NADCO. NADCO, or the National Association of Development Companies is the trade association of Certified Development Companies (CDCs) - nonprofit companies that have been certified by the Small Business Administration (SBA) to provide financing for small businesses under the SBA Real Estate Advantage Loan (REAL) also known as the 504 Loan Program. NADCO represents nearly 270 CDCs, serving all 50 states. In 2012, the industry provided \$6 billion to nearly 10,000 U.S. small businesses. By law, SBA REAL (504) loans must create at least one job for every \$65,000 in financing.

I would like to thank Chairwoman Mary Landrieu and Ranking Member James E. Risch for his continued support of small business and small business lending in America and most particularly for your support of the SBA 504 program. Americans wish that Congress could work together and compromise on solutions for the good of the country much as Sen. Landrieu and Sen. Risch have worked together to reach a compromise and craft a debt refinancing bill for the 504 program. We appreciate all you have done on this bill!

### **Impact of the Government Shutdown on 504 Borrowers in Process:**

Nationally, the government shutdown is impacting 28 million small businesses who are not able to access capital to sustain and grow their businesses. To date, over \$700 million in SBA 7a loans and \$300 million in SBA 504 loans have not been made to small businesses depending on the SBA as a source of capital. Borrowers cannot predict when this capital might be freed up so they can plan, and in some cases, those businesses may fail due to lack of funding.

As you know, the 504 program assists small businesses with real estate or long term machinery and equipment acquisition. Small businesses that have applied or are applying for 504 financing have entered into a contract to purchase an asset. They have posted deposits to secure those contracts that can be over \$200,000. If the timetable leading to settlement is not met, the deposit is often forfeited. The small business has also incurred significant costs to determine the feasibility of the purchase – building inspections, title exams, appraisals, loan fees, etc. Our CDC has 4 small business loans totaling \$1 million electronically submitted to SBA waiting for loan review and approval. We have another 5 loans totaling \$7 million that will be ready to send to SBA in the next week. All of those loans have contract settlement deadlines that we may not be able to meet as a result of the shutdown and the backlog SBA will be facing upon its return. These small businesses need Congress to find solutions and re-open the government!

One of those loans is a construction project for a new Holiday Inn Express in Owings Mills, Maryland with 20 new jobs expected to be created. If the borrower is unable to obtain an SBA approval soon, he will be unable to break ground and complete his construction in time for the start of the busy tourist season. That could mean the difference between success and failure for the first year of operation – and significant losses. One of my colleagues tells me that he is working with a purchaser of a local, well known restaurant in Donaldsonville, LA with plans to expand operations that will result in 5 new jobs (an increase of 33%! ). The loan cannot be approved until SBA returns to work, and the buyer is concerned the seller will cancel the transaction because the buyer cannot provide a commitment for financing. Another colleague is working with an existing 504 borrower in Stoughton, MA to purchase a property out of a foreclosure at an attractive price. Their application is at SBA waiting for an approval. On Oct. 24<sup>th</sup>, the borrowers lose a \$149,000 deposit AND the right to purchase the property. Twenty-five new jobs will not be created under the leadership of these successful, proven entrepreneurs.

Further complicating the situation is that with no SBA personnel in the loan approval processing center, some of the SBA approvals needed after loan approval and before funding can't be obtained (for instance, SBA must approve appraisal and environmental reports along with any changes to the loan approval document). Those loans can't move through the 504 closing process until those SBA approvals are obtained. It is also highly unlikely that the bank partner will close their loan until all those SBA approvals are in place. The small business is caught with contract deadlines approaching and due to an inability to settle, they risk losing their deposits and feasibility costs while they wait for SBA to return to work.

As you know, our 504 loans are funded through a Wall Street bond sale with SBA providing a full faith and credit guarantee to the investor. Our CDC has 12 small businesses with \$9.5 million in 504 loans in the queue for the October bond sale scheduled to occur on Oct. 16<sup>th</sup>. One of the loans is a small jewelry store located in Hunt Valley, MD (5 new jobs) whose owners are so grateful for the SBA 504 loan and the opportunities it has afforded them. Another is a small manufacturing company located in Westminster, MD that is expected to create 15 new jobs as a result of this expansion. The loans have been closed, recorded, approved by SBA counsel, and are pooled with all other CDC loans waiting for a sale to occur on Oct. 16<sup>th</sup>. The total pool nationally is 549 loans for \$359 million. It is our understanding that the sale will occur, and pricing was reasonable in spite of the tumultuous financial market conditions created by uncertainty surrounding the debt ceiling situation and the government shutdown. We were told that buyers for our bond were difficult to bring to the table this month. The difficulties in attracting buyers due to the uncertainty will impact future costs to our small businesses unless there is a resolution soon. What value will the full faith and credit guarantee of a U.S. Agency add for future small businesses if Congress allows a default on our obligations? It certainly will not result in cost savings to our small businesses!

While a crisis for the Oct. bond sale has been avoided, the Nov. sale is clearly in jeopardy, and the repercussions are far reaching. The 504 bond sale has occurred every month since it began in 1986. We sold 2 days later than normal after 9/11 occurred, and we sold during the Clinton era shut downs. The financial markets and our bank partners depend on that sale occurring each and every month. Will our bond purchasers want a bigger spread if our bond sale is no longer "dependable"? Will bank partners charge borrowers a higher rate or larger fees on the interim

loans because of the risk the 504 loan may not sell timely? These are difficult questions to answer, but logic would seem to indicate greater risk means higher costs. Congress needs to reach a resolution quickly so that future small businesses don't suffer from this folly!

There are hundreds of small businesses whose loans have closed in anticipation of the Nov. bond sale (the first deadline for SBA submission is Oct. 11<sup>th</sup>), documents have been recorded, and banks are counting on pay downs. If SBA doesn't return to work so the packages can be processed, and the bond sale doesn't occur, the loan documents have to be modified (possible attorney fees) and the modifications will have to be recorded, all at a cost to someone. Perhaps the bank loan will mature before we can get the loan into a Dec. sale, and the bank could charge the borrower more fees to extend. Our CDC has approximately \$9 million for 16 small businesses that could be funded in the Nov. sale. These borrowers face the risk of a higher interest rate because of market uncertainty on a 20 year loan as well as the possibility of having to reclose their loan if the Nov. sale does not occur.

It is critical that we help these small businesses. The economic recovery has been weak and tepid. The government shutdown and looming debt ceiling crisis are exacerbating the problem.

### **General Impact on Small Business, Including 504 Businesses:**

Since our CDC services the Washington metro area (suburban Maryland, Northern Virginia, and the panhandle of West Virginia), we are keenly aware of the impact of the government shutdown on our borrowers and small businesses in general. Dr. Stephen Fuller of George Mason University has indicated that the impact of the government shutdown is \$220 million a day in the Washington metro area alone with retailers the first to feel the pain. In addition to Federal employees being furloughed, government contractors are furloughing employees. While the Federal employees may get back pay, the private sector employees typically will not. Additionally, the private sector employees have no benefits during this period, including health insurance unless they pay for it out of pocket at a time when they have no salary coming in. If some members of Congress have been quoted as saying they could not afford to go without their paycheck, imagine how difficult is for other Federal and private sector employees. Many of these employees are professionals with good jobs, but everyone takes steps to reduce personal expenditures when their paycheck stops. Children are withdrawn from day care, eating out becomes a luxury, no need to dry clean clothes, no need to purchase new clothes, repairs are delayed (car, home), new cars or homes aren't purchased, and the reduction in spending across the board goes on and on. The same impact is seen on a business to business level. Travel, entertainment, supplies, and any non-essential cost is being evaluated and cut whenever possible. We are watching our costs to assure we can retain our valuable staff until SBA returns to work.

Also, we are carefully watching our loan portfolio for signs of distress. Many small businesses do not have the luxury of stretching their receivables or weathering a major revenue decline for an extended period. Our small businesses are not able to get an SBA 7a loan – no one is at SBA to process the loan, and banks are not making those small working capital loans conventionally.

Many of our small businesses were just beginning to see improvements and had begun to build balance sheet strength after the 2008 recession. A two week plus government shutdown or the inability to resolve our debt ceiling issues could be devastating on those businesses not only in immediate sales and cash flow but could stop growth (and new jobs) until the business can recover from this set back.

### **CONCLUSIONS:**

We all know that small business is the backbone of our economy. Just as small businesses were beginning to recover from the Great Recession of 2008 and seeing improved sales, profits and stronger balance sheets, the government shutdown is reversing those gains. Additionally, the SBA loan spigot has been turned off, even if the SBA loan is approved. Businesses of any size can't survive without capital, but small businesses are more at risk as they have fewer alternatives.

For growing 504 loan applicants who are expected to create jobs, their projects may fall apart at significant cost to the small business due to their inability to produce a financing commitment or settle the transaction. With the losses the business takes on the lost transaction, they may not be able to consider another expansion for some time.

For the applicants waiting for 504 bond sales to occur, there is a risk that interest rates will spike due to the uncertainty surrounding the resolution of the debt ceiling and the government shutdown. If the bond sales don't occur, the 504 applicants in the future face higher costs due to the lack of predictability.

With our tepid and slow recovery from the recession, it is imperative that we find solutions so that small businesses can grow and create jobs making America stronger. Most Americans believe that 535 people off the street could come to a resolution a very short amount of time by compromising and doing what's right! Our small businesses ask that Congress follow the example set by Sen. Landrieu and Sen. Risch and get something done quickly!

Thank you for your support of small businesses and the SBA 504 program.



### **Sally B. Robertson**

#### **Biographical Sketch**

Sally Robertson is the President of Business Finance Group, a private, non-profit Certified Development Company (CDC). Business Finance Group specializes in the 504-loan program, an economic development financing program of the U.S. Small Business Administration.

As President, Robertson is responsible for managing the daily operations of a successful SBA lender with an active portfolio of over \$525 million. Since inception, the Company has assisted over 2,800 small businesses finance over \$3.2 billion dollars in projects. As a result of expansions financed with the 504 program, small businesses have created or retained more than 31,000 jobs as well as increased tax revenues to the various state, local and federal governments. Additionally, the Company has a strong track record of assisting minority, veteran and woman owned businesses as well as rural business throughout the Commonwealth of Virginia, the District of Columbia, the State of Maryland, and four counties in West Virginia.

The company is the top CDC in SBA's Region 3 as well as the top producing CDC for the Washington, Baltimore and Richmond SBA offices. In recognition of the company's achievements, SBA has presented several awards to the company including SBA's Region 3 New Market Lender's Award and the 2004 U.S. SBA Outstanding Lender Award for Region 3, one of eleven lenders recognized nationally by the Administrator. Sally was selected by the Washington District Office of the U.S. Small Business Administration as the 1998 Financial Services Advocate of the Year. In 2006, Sally was appointed to SBA's National Advisory Council. Sally was elected as the Chairman of the Board of the National Association of Development Companies in May, 2013. NADCO represents the CDCs who deliver the 504 program to small businesses nationally.

Sally has served on the Potomac Chapter RMA Board since 1997 and has been its President three times. She has served on the Carolinas-Virginias Board since 2005 and has served in all officer capacities including as the Board President.

A graduate of the University of New Hampshire, Robertson began her career in accounting working in the real estate industry as a Controller before moving to the finance arena. As Director of Finance for a major Northern Virginia real estate developer, Robertson placed financings for a variety of multi-million dollar commercial and residential projects.

Married with two grown children, Robertson enjoys her family and skiing (both snow and water), but can most often be found with her laptop.

Chair LANDRIEU. Thank you very much, Ms. Robertson, for that detailed explanation of how this program affects so many entities. Mr. Ford.

**STATEMENT OF ANTWAYNE FORD, PRESIDENT AND CHIEF  
EXECUTIVE OFFICER, ENLIGHTENED, INC.**

Mr. FORD. Good afternoon and thank you very much, Madam Chair and committee.

Hello. My name is Antwayne Ford, President and CEO of Enlightened, Incorporated, as well as the Chair of the D.C. Chamber of Commerce and on the President's Council for the U.S. Black Chambers. Enlightened is a technology firm specializing in cybersecurity, system integration, and software development, and have realized great growth over the last 14 years, serving primarily the Federal Government. I am here to tell you how this government shutdown and the fight over the debt ceiling are continually causing company layoffs and reduce production on government contracts.

As a small business owner, I am deeply impacted by the events that have unfolded over the last two weeks that have forced our employees and their families to cope with the realities of this government shutdown. They now know what it means to have their jobs and financial security placed in jeopardy by events that are wholly outside of their control.

As a result of the shutdown, Enlightened has made difficult choices in the way we manage our human capital. Permanent layoffs due to government shutdowns have become commonplace, forcing us to say goodbye to some of our best and brightest employees. We were forced to immediately furlough two employees due to the loss of work at the Department of Justice and another 25 in the 14 days since October 1. Those not presently affected by the layoff live with the real danger of losing their jobs. Meanwhile, they watch their elected representatives battle one another in a war of uncompromising positions. Not only do I fear losing established personnel, but my company faces an equally daunting challenge of attracting new talent to a field in a government that has become an increasingly unreliable employer for us.

There are long-term effects to this temporary shutdown. In the short- and long-term, Enlightened will suffer. With 70 percent of our workforce sourced from the Federal Government, it has become impossible to depend on a reliable stream of solicitations from Federal agencies that may or may not have been canceled, reopened, or canceled again, or postponed indefinitely. Our existing contracts where work has been praised face the real possibility of not being renewed. Enlightened cannot afford to wait and wait and wait while our government leaders in Congress negotiate our livelihoods.

Enlightened is providing services to several Federal agencies. However, one customer in particular, OPM, is critical to my success. Enlightened is assisting OPM with modernizing systems that provide background checks for Federal Government employees and their contractors. To date, this contract has not been affected, but if it is stopped, Enlightened would not be able to recover. This could be the death blow for the company.

As an IT and cybersecurity service provider, I am concerned. Several agencies have made contingencies for some productive measures during government shutdown. Their plans call for heavily scaled down their IT teams to maintain and manage and protect government IT infrastructure. Contingencies are seldom as strong as the original.

Agencies that we do work for, such as the Department of Veterans Affairs, Health and Human Services, HUD, and OPM, have had layoffs to cyber professionals that protect the nation's infrastructure. Most other Federal agencies are expected to have a similar handful of IT security staff and other essential personnel to run the infrastructure and this is a problem.

With the potential that the government will default on our Federal debt, Enlightened would not receive any payments from our Federal contractors, accounting for 70 percent of our business. In turn, we would not be able to pay our employees, our bills, nor our line of credit. And just like Congress elected to shut down the government, we, too, would be forced to shut down and go out of business with no financial guarantee available to recover. Small businesses cannot borrow when there is no collateral.

I am here today testifying before you representing the effect your decisions are having on everyday hard working Americans and small business owners like myself and countless other Americans. We have to end this before the backbone of America breaks. This backbone is small business owners. The backbone is entrepreneurs. The backbone is hard working Americans. Let us put America back to work.

[The prepared statement of Mr. Ford follows:]

**Antwanve Ford's Senate Testimony**  
**10.15.2013**

Hello, my name is Antwanve Ford, President & CEO of Enlightened, Inc. and Chair of the D.C. Chamber of Commerce. Enlightened, an IT and Management Consulting firm, specializing in cyber security, systems integration and software development, has realized great success over its 14-year history, serving both the federal government and the District of Columbia. Unfortunately, this is not the first time we have had to lay off employees because of government shutdowns. As someone deeply entrenched in the growth and betterment of our great city, I am here to tell you how this government shutdown and the fight over the debt ceiling are continually causing company layoffs and reduced production on government contracts.

As a small business owner, I am deeply impacted by the events that have unfolded over the last two weeks that have forced our employees, and their families, to cope with the realities of this government shutdown. They now know what it means to have their jobs -- and financial security -- placed in jeopardy by events wholly outside of their control. As a result of the shutdown, Enlightened has made difficult choices in the way we manage our human capital. Permanent layoffs due to government shutdowns have become commonplace -- forcing us to say goodbye to some of our brightest and most productive employees. We were forced to immediately furlough two employees due to the loss of work at The Department of Justice, and another twenty-five (25) employees in the 14 days since October 1<sup>st</sup>. Those not presently affected by layoffs live with a real danger of losing their job; meanwhile they watch their elected representatives battle one another in a war of uncompromising positions. Not only do I fear losing established personnel, but my company faces an equally daunting challenge of attracting new talent to a field and a government that has become an increasingly unreliable employer. There are long-term effects to this temporary shutdown.

In the short and long-term, Enlightened will suffer. With 70% of our work sourced from the Federal Government, it has become impossible to depend on a reliable stream of solicitations from federal agencies that may or may not be cancelled, re-opened, cancelled again, or postponed indefinitely -- contracts that would have helped us realize the growth we once expected to see; critical services the government has said they needed. Our existing contracts, where our work has been praised, face the very real possibility of not being renewed. Enlightened cannot afford to wait, and wait, and wait while our government leaders in Congress negotiate our livelihoods.

Enlightened is providing services to several federal agencies, however, one customer in particular is most critical to the company. Enlightened is assisting OPM with modernizing systems that provide background checks for federal government employees and contractors. To date this contract has not been affected, but if it is stopped, Enlightened would not be able to recover. This would be the death-blow for the company.

As an IT and Cyber Security services provider, I am concerned. Several agencies have made contingencies for some protective measures during the government shutdown; their plans call for them to heavily scale down their IT teams to maintain, manage and protect the government's IT infrastructure. Contingencies are seldom as strong as the original.

Agencies that we do work with, such as the Department of Veterans Affairs, the Department of Health and Human Services, the Department of Housing and Urban Development and the Office of Personnel Management have laid off cyber professionals that protect the nation's infrastructure. Most other

federal agencies are expected to have a similar handful of IT security staff and other essential personnel to run infrastructure operations.

As quoted in a political magazine, "Chinese state media has said they have 2 million people dedicated to censoring the Internet. If China is willing to dedicate that kind of firepower to patrolling its own networks, it almost certainly is willing to use the same or more to interfere with foreign ones."

This is an opportune time for hackers to exploit security vulnerabilities in an attempt to infiltrate U.S. systems.

In essence, the government shutdown has imperiled America's cyber security posture at a time when the country can least afford to be disrupted and disorganized. Whatever happens politically over the duration of this shutdown, the cyber threat is already dangerous and will become more so! And keep in mind that the government shutdown is not only hurting American cyber security today, but may also hinder the ability of the government and companies like ours to recruit the next generation of cyber security talent. With the threat of government shutdowns, sequestration, and government turmoil in general, why would the future best and brightest want to work for the government?

And with the potential that the Government will default on our federal debt, Enlightened would not receive any payments from our Federal clients, accounting for 70% of our business. In turn, we would not be able to pay our employees, our bills, nor our line of credit, and just like Congress elected to shutdown the Government, we too would be forced to shut down and go out of business, with no financial guaranty available to recover. Small businesses cannot borrow more when there is no collateral.

I'm here today, testifying before you, representing the effect your decisions are having on everyday, hard-working Americans and small business owners like myself and countless other Americans. We have to end this before the backbone of America breaks. The backbone is small business owners. The backbone is entrepreneurs. The backbone is hardworking Americans. Let's put America back to work.

*Antwanye Ford, President and Co-Founder of Enlightened, Inc.*

**Antwanye Ford – President and Co-Founder, Enlightened, Inc.**

Mr. Ford is the President and co-founder of Enlightened Inc., an IT consulting firm that specializes in Management Consulting, Cyber Security and Systems Integration services. Enlightened's customers include the US Navy, Office of Personnel Management, US Department of Veteran Affairs, US Department of Health and Human Services (HHS), US Department of Housing and Urban Development (HUD), and the US Department of Labor to name a few. At Enlightened, Mr. Ford is responsible for the following:

- Corporate Vision and Direction
- Strategic Planning
- Business Development
- Corporate Innovation

Mr. Ford has worked in Information Systems for over 20 years, which helped shape his lifelong dream to be an entrepreneur. Mr. Ford started his career at a small defense contractor and later moved to MCI. While at MCI, he held several positions ranging from Systems Analyst to Marketing Product Manager for MCI's Friends and Family®. In his role as a Product Manager, he was responsible for product innovations, promotional development, and systems infrastructure for strategic product support.

In 1994 Mr. Ford moved from MCI to INTELSAT, the world's largest provider of satellite communications. Mr. Ford served as the Director for the Applications Support Organization, encompassing several strategic business units. The department's responsibilities included developing applications, conducting internal consulting projects, supporting software, and building the company's document management infrastructure. At INTELSAT, he also served as a "change agent" for the company. After five and a half years at INTELSAT, he left a successful corporate career to pursue his dream of starting his own company in 1999. He realized it was time to leave when he performed his "80 year-old test".

***"When I am 80 and I look back at my life, what regrets will I have? If I have that regret, why not do something about it now?"***

Thus, Enlightened, Inc. was born. Over the years, Enlightened has been recognized with numerous awards and accolades for its dedication, hard work, and innovative solutions. Enlightened was recognized in 2012 by IAC for Outstanding System Software, and by SmartCEO Magazine for Innovation and Business Management. Enlightened was the recipient of the Innovative Creative Entrepreneur (ICE) Award for the 2010 Outstanding Small Business Award of Excellence from Morehouse College. In 2009, Enlightened was recognized as one of the "Top 100" Minority Business Enterprises by the Center for Business Inclusion and Diversity for the Mid-Atlantic region. In the spring

*Antwanye Ford, President and Co-Founder of Enlightened, Inc.*

of 2007, for the second consecutive year, the Initiative Competitive Inner City (ICIC) and Inc. Magazine's "Inner City 100" ranked Enlightened on their respective lists of the 100 fastest-growing inner city companies in America.

In 2007, Enlightened was awarded a "Top-Five" honoree at the Excellence.gov awards by the Industry Advisory Council (IAC) for JUSTIS, a system developed by Enlightened on behalf of our client the CJCC. The award was for the system's superior performance in the areas of collaboration and transformation. In the fall of 2006, Enlightened's growth and success were chronicled in a front-page article in The Washington Post. Enlightened was named "2005 Small Business of the Year," by the DC Chamber Of Commerce. In 2004, Inc. Magazine named Enlightened one of the fastest-growing companies in America in its 23rd annual issue of the Inc. 500 list, ranking Enlightened 264th. As Entrepreneur Magazine stated in its November 2003 issue, "Enlightened is one of the best and brightest companies in America."

Also, in 2005 Mr. Ford was selected by the editorial board of Inside the Minds as an author in the recently released book, Inside the Minds: CEO Best Practices. Inside the Minds: CEO Best Practices - Skills, Values, & Strategies for Successful CEOs features top CEOs representing some of the nation's leading companies. Mr. Ford contributed a chapter to the book entitled, "The Spiritual Side of Leadership".

Mr. Ford is heavily involved in his community and was a founding member of Myth Men, a non-profit organization with the objective of destroying negative myths about young Black men. Mr. Ford currently serves As Chair of the Board of the Directors for DC Chamber of Commerce. He also serves on the Presidential Council for the US Black Chamber, Inc. as well as on the Board for the Downtown Clusters Geriatric Day Care. He was formally on the Board of Directors for DC Works, the Network for Teaching Entrepreneurship (NFTE) and the Washington Math Science and Technology Charter High School. In addition, he works with the Teen and Youth Ministry at his Church with the Leukemia and Lymphoma Society and the American Heart Association in Washington, DC.

Antwanye Eric Ford was born in Washington DC. Mr. Ford received a B.S. in Computer Science and Information Systems and a M.S. in Information Systems with honors both from the George Washington University (GWU).

Mr. Ford's corporate philosophy is based in his faith, "to whom much is given, much is required".

Chair LANDRIEU. Thank you.  
Mr. Withee.

**STATEMENT OF CHARLES WITHEE, PRESIDENT, THE  
PROVIDENT BANK**

Mr. WITHEE. Yes. Thank you, Chairwoman Landrieu, and thank you to my Senator Shaheen for having me here today. I am Chuck Withee, the President of the Provident Bank, a commercial community bank up in New Hampshire and Massachusetts. We, too, are a small business—we are 130 employees—so we share in the concerns, the deep concerns of the small businesses around the table here.

And the 7(a) loan program and the 504 loan program are the backbone of what we do at the Provident Bank. Oftentimes, very promising businesses come forward, have a lot of promise but do not have all of the attributes that traditional lending serves and we use these programs to help them get over the finish line.

Currently, we have 12 loans representing \$2.7 million in limbo, just like Mr. Leh had indicated, very similar stories and very tragic stories because these companies are not large corporate America that have lots of cash on the balance sheet to sustain. They live day-to-day. They wonder how they are going to make payroll. They wonder how they are going to keep the lights on. And we are there to try to help with that. This government shutdown is impeding that process.

I am also very concerned about the shutdown temporary move forward. I hope it happens. I hope it happens today. But I am concerned, also, with what is coming up. February is the next deadline. This creates a lot of uncertainty. There are a lot of people that are affected by this. That uncertainty is going to affect that in the future, and you can rest assured that that uncertainty is going to have an impact on our economy given the size of small business in that economy, and that is really why I am here today, folks. Thank you.

[The prepared statement of Mr. Withee follows:]

Senate Testimony, 10.15.2013

Good Afternoon, my name is Chuck Withee and I am President of the Provident Bank, with offices in Southern New Hampshire and Massachusetts. We are a \$615 Million community commercial bank focused on the needs of small and medium sized businesses. I am also the Chief Lending Officer of the bank and am involved in the approval process of every commercial loan generated in the bank.

The government shutdown has had a material and profound effect on many small businesses in the Southern New Hampshire region due to the cessation of the U.S. Small Business Administration (SBA).

The SBA 7(a) loan guaranty program is heavily relied upon by smaller companies for working capital and equipment purchases. They are generally companies with very good prospects but lack all of the necessary attributes to obtain commercial loans on their own. These loans often lead to hiring new people to help their businesses grow. The SBA 7a loans also provide a sense of security that allows the small business owner to proceed and excel towards success, when they would otherwise not be able to do so.

The SBA 504 loan program is for operating companies looking to make capital expenditures, either with the purchase/expansion of a building or purchase of capital equipment. The benefit of the SBA 504 program is that it allows the business owners to put less of a down-payment towards the purchase, thereby leaving more capital in the operating business for growth.

Because of the shutdown we currently have ten (10) SBA 7a loans totaling \$2,000,000 and two (2) SBA 504 loans totaling \$700,000 stalled, resulting in business owners uncertain about the future. Moreover, there are purchase and sale agreements hanging in the balance, that may lapse and have to be renegotiated, which can have a real impact on the small businesses involved. The small business owner may also lose credibility and the ability to negotiate similar contracts in the future.

The numbers given above do not include the dozens of applications for loans that would have come forward, but could not because of the shutdown. We have recently hired a new SBA specialist, Jim Pratt, to focus on the smallest of the small businesses (micro businesses); a very neglected, but important group. Jim was literally about to roll out a new program focused on borrowing needs of between \$10,000 and \$100,000 for very small businesses and is heavily reliant on the SBA; this program will not be rolled out until there is certainty that the SBA will be back online, on a permanent basis.

The Provident bank is a Preferred Lender under the SBA's Preferred Lending Program (PLP), which means we do all of the approval and underwriting of SBA 7a loans, which is a very efficient use of taxpayer dollars; and it is a win/win for the bank and business owner from a timing of decision process. That said, we cannot issue an official loan number, only the SBA can do that and the Government shutdown prevents that.

Senator Shaheen graciously invited me (a republican) to speak to you today since we have much common ground when it comes to the concerns of Small businesses in our state and around the country. I urge all of you to put politics aside and do the right thing relative to this shutdown. Thank you for your attention to this important matter.

**Mr. Charles Withee, President, the Provident Bank (NH and MA)**

Chuck Withee was named President in May 2013. He joined the bank in 2004 as senior vice president/senior loan officer and was named executive vice president later that year. His previous experience includes 15 years in senior management, including senior vice president roles at both First and Ocean National Bank and KeyBank. Chuck is active in community organizations, currently serving as vice chairman of the Anna Jaques Community Health Foundation and incorporator of the Anna Jaques Hospital; board member, treasurer and finance committee member of Turning Point, Inc.; board member, finance committee member, Economic Development Action Committee member and past chairman of the Greater Newburyport Chamber of Commerce and Industry; past president of the Newburyport Rotary Club; and chairman of the commercial credit committee of the Massachusetts Bankers Association.

Chair LANDRIEU. Thank you very much, particularly focusing on the uncertainty, which is very important.  
Mr. Paul.

**STATEMENT OF RONALD D. PAUL, CHAIRMAN, EAGLE  
BANCORP, INC.**

Mr. PAUL. Chairwoman Landrieu and distinguished members of the committee, good afternoon. My name is Ron Paul, no relationship to Senator Paul nor Congressman Paul.

[Laughter.]

Mr. PAUL. I am Chairman and Chief Executive Officer of EagleBank, a well capitalized, profitable \$3.5 billion community bank headquartered in nearby Bethesda, Maryland. We are a very active lender with strong loan growth of 21 percent in 2012, a \$3 billion loan portfolio, and we pride ourselves in having an average loan size of under \$2 million. Our mission is focused on lending to small businesses.

We are very active in SBA lending. We are a preferred SBA lender and rank number one among banks headquartered in metropolitan Washington, D.C. Nationwide, SBA lenders close nearly \$100 million in loans every day. Right now, the program is frozen. At EagleBank, we have over 30 new SBA loans in process totaling \$37 million, but we cannot proceed because the SBA has closed its doors. And when they reopen, there will be uncertainty as to when loans will be ready to close, since we do not know how big of a backlog there will be.

Among others, government contractors and their subcontractors and vendors are not being paid. If you are a small business, a janitorial service or an IT consultant, you typically do not have capital and reserves to carry your employees and overhead. The result: Closed offices and laid off workers.

The furloughed workers at a security company and the restaurant across from a government center and each of their employees just lost all their income. They no longer have disposable dollars to go to the local hardware store or local restaurant or local clothing store. Remember, this lost income can never be recovered. The government leases millions of square feet from the private sector. If the shutdown continues into November, these rent checks will not come in, but the developer's loan payments are still due, potentially resulting in loan defaults and credit quality issues throughout the banking industry.

Another consequence of the shutdown is the impact on nonprofit organizations. Because of the shutdown's tourniquet on funding, one of EagleBank's customers, a youth center in the District of Columbia, had to furlough 90 of its staff of 145 people. The ripple effect is enormous. That is just dealing with the shutdown.

Now add all the potential consequences of not raising the debt ceiling in time. If Congress does not act within days, interest rates will go up, resulting in the likelihood of small businesses being less able to borrow money and at higher costs. Investment values will come down. Confidence will be severely shaken. And the nationwide uncertainty resulting from any short-term "kick the can down the road" and non-legislation will be devastating. Consumer confidence, already shaken, will dramatically fall.

At EagleBank, we have let our customers and the local community at large know we will work to help them in their short-term cash flow needs, but every customer we work with who does not make a loan payment timely results in us having less cash to lend to our other customers. As interest rates rise because of concerns over the stability to the United States, the value of our investment portfolio and, therefore, our ability to borrow to fund loans, goes down.

It is our hope, for the sake of small businesses and their workers nationwide, the fuel of the nation's economy, that Congress can find a way to reopen the government and enable people to get back to work.

Thank you for the opportunity to speak today and I look forward to any further questions.

[The prepared statement of Mr. Paul follows:]

**Statement of Ronald D. Paul, Chairman and Chief Executive Officer  
EagleBank, Bethesda, Maryland**

**Before the U.S. Senate  
Committee on Small Business and Entrepreneurship  
“Small Businesses Speak: Surviving the Government Shutdown?”**

**October 15, 2013 2:30 pm**

Chairman Landrieu, Ranking Member Risch and distinguished members of the Committee,

Good afternoon. My name is Ron Paul. I am Chairman and Chief Executive Officer of EagleBank, a well-capitalized, profitable three and a half billion dollar community bank headquartered in nearby Bethesda, Maryland. We have a robust \$3 billion loan portfolio, with an average loan size under \$2 million. As you can see, we are laser-focused on lending to small businesses.

Statement of Ronald D. Paul  
U.S. Senate Committee on Small Business and Entrepreneurship  
October 15, 2013  
Page 2

We are very active in SBA lending, number one among banks headquartered in metropolitan Washington. Nationwide, SBA lenders close nearly \$100 million in loans every day. Right now the program is frozen. At EagleBank, we have 30 new SBA loans in process, totaling \$37 million, but we can't proceed, because the SBA has closed its doors.

Among others, government contractors (and their subcontractors and vendors) are not being paid. If you are a small business – a janitorial service or an IT consultant – you don't have capital in reserve to carry your employees. The result: closed offices and aid-off workers.

The furloughed workers at a security company and the restaurant across from a government center – and each of their employees -- just lost all their income. So they no longer have the disposable dollars to go to the local hardware store or the local restaurant, or

Statement of Ronald D. Paul  
U.S. Senate Committee on Small Business and Entrepreneurship  
October 15, 2013  
Page 3

the local clothing store. Remember, this lost income can never be recovered.

The U.S. government leases millions of square feet of office and industrial space from the private sector. If the shutdown exists on November 1, there will be no rent checks coming in. But the mortgage payments are still due, potentially resulting in loan defaults and credit quality issues throughout the banking system..

Another consequence of the shutdown is the effect on non-profit organizations. Because of the shutdown's tourniquet on funding, one of EagleBank's customers, the Latin American Youth Center, has furloughed almost one hundred of its staff of 145 people.

The ripple effect is enormous. And that's just dealing with the shutdown.

Statement of Ronald D. Paul  
U.S. Senate Committee on Small Business and Entrepreneurship  
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Now add all the potential consequences of not raising the debt ceiling in time. If Congress does not act within days, interest rates will go up, resulting in the likelihood small businesses being less able to borrow money and at higher costs. Investment values will come down. Confidence will be severely shaken. And the nationwide uncertainty resulting from any short term “kick the can down the road” legislation will be devastating.

At EagleBank we have let our customers, and the local community at large, know that we will work to help them in their short-term cash flow needs. But every customer we work with who doesn’t make a loan payment timely results in us having less cash to lend to our other customers. As interest rates rise because of concerns over the stability of the United States, the value of our investment portfolio – and therefore our ability to borrow to fund loans – goes down.

Statement of Ronald D. Paul  
U.S. Senate Committee on Small Business and Entrepreneurship  
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It is our hope, for the sake of small businesses and their workers nationwide, that the Congress can find its way to reopen the government and enable people to get back to work. And get this economy going.

**RONALD D. PAUL**  
**BIOGRAPHICAL INFORMATION**

Ronald D. Paul is the Chairman of the Board of Directors and Chief Executive Officer of Eagle Bancorp, Inc. and EagleBank, a community bank established in 1998 in Bethesda, Maryland. He has been involved in community banking for over 25 years. Mr. Paul is one of the founding board members of the Bank, and has been instrumental in the growth of the Bank's size to over \$3.4 billion in assets. EagleBank is a member of the Independent Community Bankers of America, the Maryland Bankers Association and the Virginia Bankers Association. EagleBank has consistently been cited for its excellent overall financial performance by recognized bank rating services such as *IDC Financial Publishing*, *Kroll Bond Ratings* and *BauerFinancial*. For 2011, EagleBank was ranked 39<sup>th</sup> among the best performing community banks in the US by SNL Financial, and was one of 40 banks named to the Honor Roll of Community Banks by Keefe, Bruyette and Wood.

Eagle Bancorp, Inc. is a public company and its shares are traded on the NASDAQ Capital Market under the symbol EGBN. The Company is in the Russell 3000® Index, which measures the performance of the largest 3000 U.S. companies based on total market capitalization and represents approximately 98% of the investable U.S. equity market. EagleBank is the largest bank headquartered in Maryland measured by market capitalization and the largest community bank in metropolitan Washington, DC measured by deposits.

A founding board member of the Prince George's National Bank in 1987, Mr. Paul continued to serve as director when the bank merged with Montgomery National Bank in 1991 and changed its name to Allegiance Bank. He was a director of Allegiance Bank from 1991 until September 1996, and a director of Allegiance Banc Corporation from 1991 until its acquisition by F&M National Corporation in 1996.

Mr. Paul was born and raised in Oceanside, New York, and came to the Washington, D.C. area to attend the University of Maryland, where he received a B.A. in Accounting. In 1980, he began his career in real estate investment as a bookkeeper, and in 1987, formed his own investment company, Ronald D. Paul Companies, Inc. Mr. Paul's real estate holdings include office buildings and multi-family apartment projects throughout the Washington Metropolitan area, as well as in New York, Texas, Florida and Iowa. Mr. Paul was a director (as well as Chairman of the Audit Committee) of Republic Properties Trust, a New York Stock Exchange-listed real estate investment trust, until it was sold in 2007. He is active in private investments, which includes serving as Chairman of Bethesda Investments, Inc., a private venture capital fund. As President of RDP Management, Inc., he is also engaged in the business of real estate management.

Very active in several charitable organizations, Mr. Paul serves on the Board of Directors of the Washington Hospital Center Foundation and, since 1987, on the Board of Directors of the National Kidney Foundation of the National Capital Area ("NCA"). Mr. Paul's involvement with the National Kidney Foundation began in the 1980's when he was diagnosed with kidney disease; he received a kidney transplant from his brother, Steven B. Paul, at the Washington Hospital Center in 1990. Nineteen years later, he received a second transplant from Kathy McCallum, Chief Financial Officer of Ronald D. Paul Companies. Mr. Paul served as Chairman of the Board of the National Kidney

Foundation of the NCA from 2002 - 2003, and he also chaired the *National Kidney Foundation's Annual Kidney Ball*—the largest one-day fund-raising event of the Foundation—in 1993 and 2000. In 2002, Mr. Paul founded the *National Kidney Foundation's Annual Ronald D. Paul Companies Kidney Walk*, which has grown from approximately 40 to over 900 walkers and has raised over \$700,000. While attending the University of Maryland, he was active in many community events and became the youngest member ever to serve on the Board of Directors of the American Cancer Society. As Chairman of Eagle Bancorp, in 2005, Mr. Paul founded the EagleBank Foundation, which annually raises funds for breast cancer research, patient services and education. To-date, the Foundation has raised in excess of \$1.5 million.

Mr. Paul is a member of the Board of Governors of the University of Maryland Alumni Association; a member of the Board of Trustees of the University of Maryland College Park Foundation and is a past Board member of ORT America, a non-profit organization that supports educational programs in 58 countries, providing the skills and knowledge needed for individuals to obtain jobs, live independently and with dignity. He is also a member of the Executive Committee of the Comptroller of Maryland Business Council, and a member of the Board of Directors and Executive Committee of Woodmont Country Club, Rockville, Maryland. Mr. Paul serves on the Montgomery County Economic Advisory Council (having been appointed by Isiah Leggett, County Executive for Montgomery County, Maryland). He has also been appointed to the Montgomery Business Development Corporation by the Montgomery County Council. Mr. Paul serves on the Advisory Board of Court Appointed Special Advocates for Montgomery County, Maryland; CASA supports the needs of foster children placed in the court system.

In December 2012, American Banker magazine named Mr. Paul a "Community Banker of the Year." Also in December, he was inducted into the Washington Business Hall of Fame. In June 2009, Mr. Paul was the winner of the prestigious "Greater Washington Ernst & Young Entrepreneur of the Year Business Services Award." He was recognized and awarded the "Father of the Year Award" from the American Diabetes Foundation. Mr. Paul is the recipient of the "2009 Outstanding Achievement Award" from the National Kidney Foundation of the NCA and was honored for his long-standing support at the 29th Annual Kidney Ball on November 21, 2009. In May 2010, Mr. Paul was recognized by the Gazette of Politics and Business as one of "25 CEOs You Need to Know," acknowledging Montgomery County (Maryland) CEOs; he was selected from 100 nominations. Mr. Paul was named a "2010 Washingtonian of the Year" by the *Washingtonian Magazine* in its January 2011 issue. He is a 2011 recipient of the "Annual Achievement Award" from the District of Columbia Building Industry Association. As the 2011 Co-Chair of Higher Achievement DC Metro *GoingPlaces! Gala*, Mr. Paul helped raise funds to improve youth academics in at-risk communities. On October 22, 2011, EagleBank was the recipient of the "Economic Impact Award" by the District of Columbia Chamber of Commerce for "making a significant impact on the economic vitality of the District of Columbia." On September 11, 2012, Mr. Paul received the Joseph E. Robert Community Impact Award from the Greater Washington Sports Alliance. Named a "2012 Washington Business Hall of Fame Laureate", Mr. Paul will be inducted into the Hall of Fame on December 4, 2012. He has also been appointed to the Independent Community Bankers of America (ICBA) Large Community Bank Council; this council meets to discuss issues that uniquely affect larger community banks.

Mr. Paul was featured in "Sources Revealed" in the April 3, 2009 *Washington Business Journal* and in "The Boss Column" of the Sunday, April 12, 2009 Business section of the *NY Times*. In the June

26, 2009 issue, on the opinion page, the *Washington Business Journal* published Mr. Paul's Op Ed article "Ronald D. Paul: Let D.C. Invest with Local Banks," in support of Kwame Brown's bill to get the District of Columbia to dedicate funds to local banks. Mr. Paul was a panelist in the "Community Banking in the Mid-Atlantic Region" at the *2009 East Coast Financial Services Conference* that was held at The Ritz-Carlton, Palm Beach, Florida in November 2009. Since then, Mr. Paul has been invited to speak throughout the country at banking seminars hosted by investment firms such as Sandler O'Neill, Stifel Nicolaus, FBR Capital and FIG Partners. Mr. Paul's Op Ed piece, "A Job for a Wounded Warrior," was published by the Washington Post on December 20, 2009 in the Metro section, raising awareness of the mission of the Wounded Warrior Project (the 2009 EagleBank Bowl's beneficiary)—to honor and empower wounded warriors—and specifically, the Warriors to Work Program. On November 17, 2010, Mr. Paul testified before the U.S. Senate Committee on Small Business and Entrepreneurship on various banking matters. Mr. Paul has worked extensively with Senator Mary Landrieu, Chair of the Senate Small Business Committee, to improve our economy through small business lending; he was also active in creating support for the creation of the *Small Business Lending Fund* created in 2010. "In search of liquidity" by Ronald D. Paul was published by Capital Business/Washington Post on March 7, 2011—a commentary on how community banks need more cash on hand to fund small businesses. Mr. Paul was the Keynote Banker at the 2012 Supervision, Regulation and Credit Annual Office Conference that was held at the Federal Reserve Bank of Richmond on January 10, 2012. He spoke at the American Banker Regulatory Symposium in Arlington, VA on September 13, 2012 and at the Keefe, Bruyette & Woods 2012 Community Bank Investor Conference on August 1, 2012 in New York, NY. Other recently published Op Ed pieces by Mr. Paul: "Howard Theater is symbol of what's possible" in the April 23, 2012 issue of Capital Business/Washington Post, "Congress should renew TAG now" in the May 25-31, 2012 publication of the Washington Business Journal, and "Extending FDIC program could help community banks invest more locally" in the June 11, 2012 issue of Capital Business/Washington Post. He authors a blog, "Checking In with EagleBank Chairman Ron Paul," at [www.eaglebankblog.com](http://www.eaglebankblog.com).

Mr. Paul and his wife Joy live in Potomac, Maryland and have two daughters.

Chair LANDRIEU. Thank you very much.

I am going to start with one question and throw it out, and if you want to be recognized, just stand up your placard, and then I am going to ask each colleague to take a turn, as well.

Let me acknowledge Senator Hagan and Senator Shaheen that are here. We did opening statements. Would you prefer to wait for the questions? Okay.

You know, some of our colleagues—first of all, let me say that all of your testimony was very, I think, critical to the immediate issue at hand and very compelling, giving me and the members that are here and others that are watching a great deal to think about.

I have heard some people in Washington describe the government shutdown as a pinprick to the economy. I did not hear that today from any of you. Would any of you like to comment and just elaborate and underscore that what is happening is a great deal more than a pinprick, or how would you describe what is happening to you if it is not a pinprick?

Go ahead, Mr. Griffall.

Mr. GRIFFALL. I would be happy to address that. I have seen a number of studies, and particularly the tourism industry is a major driver in 44 of the 50 States, and as an economic driver, the U.S. Travel Association released a new analysis that shows that this pinprick is now costing this travel industry \$152 million per day, and that is growing very quickly, and it is affecting as many as 450,000 Americans who have jobs in this industry.

The National Tour Association did a quick survey after it started and showed that effects were felt in all but four of the States by their 3,000 members, and these effects are dramatic, immediate, and unrecoverable.

But more importantly, this type of manmade crisis does create immediate effects for small businesses and all of their employees, but it creates long-term effects which everybody has talked to here that can even further depress the travel market going into the future. Travel is our number one services export, and we have a number of emerging markets, such as China and Brazil, that are increasingly coming to America. We have finally started a Brand USA Program. This is about two years old and it is just starting to make an effect. This will have long-term, lasting negative effects on all of those markets, and certainly all of the thousands of small businesses that are parts of this industry.

Chair LANDRIEU. Mr. Leh, how would you describe it? Does it feel like a pinprick to you?

Mr. LEH. No, it is definitely not a pinprick. I think what is really important to convey as a small business owner is you—when you go and borrow large sums of money, you put up and collateralize everything that you own in the world. Everything that I worked for my entire life is behind that loan. With the uncertainty that is being created right now, if interest rates go up one percent on the size loan that I am dealing with, over the life of my loan, that is \$76,000. That is an employee. That may be me not being able to cover the bank note. That may be me losing my house. That is just one percentage point.

So, we go through this game in Washington where every time it is time to decide whether or not we are going to raise the debt ceiling, we argue about it. It is ridiculous and it has an immediate impact on our ability to not lose everything that we have put forth and risked.

So, in my particular situation right now where I had an excellent program to finance, if the interest rates go up two percent, I may not be able to do it anymore.

Chair LANDRIEU. Thank you, Mr. Leh. Excellent.

Ms. ROBERTSON. We are going to do this quickly and then I am going to turn it over and then get Mr. Paul, and then we will ask some more questions.

Ms. ROBERTSON. Sure. Very quickly, I am at ground zero in terms of the government shutdown, being right here in the heart of the D.C. and the metropolitan area. We see in the newspaper yesterday two large defense contractors announced that they were going to reduce their upcoming layoffs to 5,000 people. Those people are not going to get back pay once they are gone. They are going to have to pay for benefits out-of-pocket. They are not going to have money to spend on day care, on entertainment. All of that trickles down to our Main Street businesses.

And the reality is that the conversation has been going on for months about the shutdown, about the problems, about the debt ceiling. CEOs have been taking that into account for months. They have been making quiet cutbacks. They have been making layoffs. They have been making furloughs. So our economy has been suffering for months in this particular area.

Our lending activity is down 30 percent from last year. That is a very large number. That is small businesses that are not buying buildings, that are not buying equipment to expand, that are not going to create jobs.

So we think that this is much bigger than a small pinprick. We think it is a very major problem.

Chair LANDRIEU. Thank you.

Mr. Paul.

Mr. PAUL. Thank you. I do not also believe it is a pinprick. I think it is the beginning of a hemorrhage. I think that what we have experienced over the last couple of weeks, the number of phone calls that the bank has received from hundreds and many, many of our borrowers, making sure that they have their lines of credit that are available to them, has resulted in the bank making sure that we have our own liquidity that is available to us to continue to fund these lines of credit.

I think that if you fast-forward this, if we should get this passed through February, what is going to happen between now and February, I think, is going to be equally as ugly as what has happened over the past couple of weeks. We have a situation right now that the consumer is going to be sitting and saying, you know what? We are not going to go out for dinner. We are not going to go to the movies. We are not going to go to a show. We are not going to buy a house. New home sales will dramatically be impacted because you will have people over the next three months that are going to be so paranoid about what is going to happen.

I think it is an absolute embarrassment to this country. I think that the trickle-down effect has yet to be felt. I think the economy that is finally starting to get on its feet will be devastated as a result of this kicking the can down the road. Thank you.

Chair LANDRIEU. Let me get the other three of you, but about the pinprick, stay on that, but also talk about some people around here are saying, well, we will pay the Federal workers back pay and that will supposedly solve the problem or make the problem go away. So when you answer this, talk about that because I think that is missing a big point, that some of your small businesses, they are not going to be in that payback discussion. I do not think they are included in that.

Ms. Smith, is that what you are hearing?

Ms. SMITH. Yes, I am hearing that, as well, and yes, it is more than a pinprick. We have companies decreasing in revenue. We have many small businesses that may have to close their doors. Small businesses, we are the lifeline of the economy and the key to recovery. So, yes, it is definitely more than a pinprick.

Chair LANDRIEU. Mr. Withee, and then Mr. Ford, and then I am going to go to the others for questions.

Mr. WITHEE. Yes, I would agree it is much more than a pinprick unless it is a very large pin.

[Laughter.]

The majority of the employment in this country is by small businesses like the people we have around this table and like many of the clients I have at the bank, and two-thirds of the economy is consumer-driven. It was mentioned just a moment ago about the uncertainty creating problems with that part of the economy, and I believe that is real and I believe that is large. So this really is not a pinprick.

Chair LANDRIEU. Mr. Ford.

Mr. FORD. I certainly agree, and to your point, Senator, small businesses will not be paid for the work that we have lost now. That is lost revenue. That is going away. That will not return. If we look at contracts that we have, as soon as we do go back to work, those contracts will have to be modified because those contracts have deliverables that are time-based, so that means those contracts need to be modified which further delays the process because have to get new contracts, and again, that will not be paid.

If you are an 8(a) company—we are a graduated 8(a) company—if you are an 8(a) company, that time that is lost is lost. You will not get that changed. So if I am an 8(a) company, I would be concerned because that time is not coming back.

If we look at the concept of a pinprick, we are talking about when we had to lay people off and you have to look in the eyes of somebody that you know you have a family—I know about the kids of the people that we had to lay off. These are people that came to our corporate picnics. That is not a pinprick.

When you are talking about people who may have to go on assistance of a government that they do not trust anymore, they also lose confidence in small businesses, which are the innovators of America. That is not a pinprick.

We look at the fact that, I think as you talked about, my line of credit is based on the creditworthiness of myself and my partners.

Everything I have had over the 14 years has been put into this business. My home has been put into this business. That is what my banking friend here used as collateral. If I go out of business, everything that my three kids that I am working for goes away immediately. This is not a pinprick.

Chair LANDRIEU. And nobody is going to reimburse you for this.

Mr. FORD. No.

Chair LANDRIEU. There is no bill to reimburse—

Mr. FORD. There is no bill for this at all.

Chair LANDRIEU. All right. Senator Heitkamp.

Senator HEITKAMP. I am struck because we are talking not only about the shutdown, but we are also talking about this uncertainty about the debt limit and what interest rates—how they all affect all of you.

Now, on top of hearing that it is a pinprick, I am sure you have also heard that there are a number of amateur economists out there who have been telling us all that the debt limit can be managed by simply paying our interest. The debt limit—those are false days and we do not need to worry about it. We recently had a hearing in the Banking Committee where we heard from the Realtors who told us that they believe that if we miss this default deadline, home mortgages will go up at least one percent, if not more, and we are already seeing our Treasuries being discounted, maybe as high as almost 70 basis points.

And so my question is to all of you that we include in this discussion, as you have, about what the debt limit means and this constant uncertainty, and I really would appreciate comments on the proposal, which a lot of you have referenced, of only going out to February as opposed to looking at a long-term deal and really encourage you to encourage us to look at something much longer than that to give you the certainty that you need. And so anyone who wants to comment on the debt limit, I would appreciate that.

Chair LANDRIEU. Mr. Singh.

Mr. SINGH. Being that we are in a start-up world on the Web where things are venture-backed, uncertainty is a part of what we sign up for, in some sense. But we do assume that the full faith and credit of the U.S. Government is something we do not have to be uncertain about. The decisions that investors make, and the decisions that the capital markets make, reflect on what start-ups get founded. They reflect on whether they happen in this country or whether they happen somewhere else where there is more confidence.

I find it to be—especially when this is manufactured crisis leading into manufactured crisis, that these are things that we can control. It is somewhat callous, I suppose, to call it a pinprick to the people who are directly affected; whether that means they are on government assistance and they cannot be part of the economy because they do not have any income anymore or whether they get laid off from their job.

But, also, further down the line, all those people are engaged—all these small businesses are directly affected by the products that other small businesses are producing. So there really is this domino effect where it is not just the one business shutting down. It is the five or six other businesses down the chain that it affects.

Chair LANDRIEU. Ms. Firestone.

Ms. FIRESTONE. Thank you. I think my comments are more related to the short-term fix. My company was awarded a very large contract in October and, as a result, it is expected that we will hire a lot of people, which is great for the economy, but do I have the confidence to hire new staff knowing in three months we face another shut down, then what happens to a business I have worked 16 years to grow? We have a large payroll and hire doctors, nurses, and analysts. There is a lot of competition for that talent. And now I am faced with having to hire, which is a really good problem, but on the other hand, how are we supposed to handle that in three months if we have to let them go?

Chair LANDRIEU. And, Ms. Firestone, just for the record, what would you pay a doctor or some of your medical professionals, like the range of what you are offering people in that contract?

Ms. FIRESTONE. Our average salary for our nursing staff, we do—we have nurses across the country—is somewhere in the range of \$70,000 is an average salary, and the physicians, as I—it is probably twice that.

Chair LANDRIEU. Unbelievable.

Mr. Griffall.

Mr. GRIFFALL. As I have stated many times, it is just hard to overestimate the pain this causes to a lot of people. But if we do not assure the American people, and particularly the rest of the world, that this is not going to be a recurring event, we will have absolutely no confidence in traveling to America or even dealing with America if we get a little farther than that, and that has been a giant issue.

Haybina Hao, who sells tourism to China—she used to be an employee of mine, she now works for the National Tour Association—she said, “compared to other countries that utilize creative ways to lure Chinese tourists, the U.S. shutdown will shatter the confidence of international travel companies, and that has been shown again and again, that when we have bad events here, it creates long long-term effects that will obviously affect all of us.”

But most importantly, we need to assure everybody that this is not something that is going to continue, because if we have to do that every single time we go through this process, we will have no confidence to buy anything in America, but more importantly, travel is a seasonal business. Most of the companies I deal with, which are all small businesses, make their money very quickly in three or four months. Those businesses have to have that profit in order to make it to the next year. So not only are we not going to be paid back wages, these companies may not survive to the next year when they are already planning for that travel season.

Chair LANDRIEU. Well, I know there is never a good time to go through what we are going through, but you can think about the particular months of November and December—October, November, and December—being very substantial retail months, which everyone is aware of. You do not need a special degree to understand that. And that is the season that we are coming to.

Let me get Mr. Withee and then we are going to turn to Senator Shaheen for her question.

Mr. WITHEE. Okay. Mr. Singh is absolutely right. Investors and bankers make decisions on certainty and predictability, and you can just walk down the hall and talk to your friends at the FDIC and the OCC if you want clarification on that. But before the shutdown, our bank, like Mr. Paul's bank, experienced record loan growth, and we are a commercial lender, really, by trade, and that means that small business had a lot of confidence and wanted to invest and wanted to borrow to do that investment.

I am very concerned about this temporary fix, because that confidence is going to go away. And what has started to become a real energized recovery is going to be stalled and, I fear, worse than that, that you can lull back into recessionary times, which would be really unfortunate because I heard earlier the term "manufactured," and this is a manufactured problem, and that is too bad and I would like to see it end.

Chair LANDRIEU. Senator Shaheen.

Senator SHAHEEN. Thank you very much, Chair Landrieu, and thank you for holding this hearing, and thank you to each and every one of you who are here representing your businesses and the small business communities in your States.

I have heard from so many small business people in New Hampshire, which has 96 percent of our employers are considered small businesses, who are experiencing the same kinds of challenges that you have talked about today. I want to especially recognize Chuck Withee, who is the President of Provident Bank, which has four branches in New Hampshire and does a great job of lending and participating in the SBA lending program, so thank you for being here, as well.

I want to make a point of saying to all of you that I think everyone of us here are as frustrated and upset about the irresponsible and reckless behavior on the part of some members of Congress that have led us to this point. We all believe we need to start the government back up immediately, that we need to put in place a long-term solution to raise the debt ceiling so that we can reassure not only people in this country but around the world that America is going to pay its bills, and that we should end these manufactured crises and get on with the business of governing the country. So please know that every one of us here is working toward that end and very distressed, as I know all of you are.

Chuck, I want to go back to your initial testimony where you talked about some of the loans that are being held up because of the shutdown. Do you also have new borrowers who are coming in the door who you cannot help? And when you look at the kinds of projects that they are looking for help on, do you expect those will be able to continue after the shutdown, that you will be able to help them, or are we looking at a long-term impact for the people that you are working with?

Mr. WITHEE. Well, that is a great question. We are seeing continual need for the SBA loan program. Just because of the shutdown does not mean people were not coming in after. The numbers I gave you were actually in the process and were stalled. There are a number of folks looking at business acquisition opportunities, permanent working capital and equipment that are stalled, as well.

What do I see? I see perhaps some of those still coming through, but others not, because day in and day out, if it is for permanent working capital and weeks on end go by, opportunity goes by, as well.

I also worry about one in particular that is the purchase of another business, owners that are retiring. They could sell out to a large concern. If they sell out to a large concern, then the employment goes away, basically. But if they sell out to another like-kind small business, they are likely to keep the employees. Well, you know, a purchase and sale can lapse and renegotiation can occur and then all of the sudden, the game is changed for both small businesses, and everybody around this table knows what I am talking about. So, you lose credibility if you cannot deliver, right, so that is a big problem.

Also, we embarked on a microloan program. In fact, we hired a specialist to take this on and was literally about to launch. And it is really \$10,000 to \$100,000 loans for the micro small businesses of the world, and everybody around this table knows, at some point, you were there. And we had a very abbreviated process. We were about to launch it literally, literally, this week, and we have stalled that because it is based on the use of the 7(a) loan program. And that is real. That is a real issue. And that is problematic. Do I see that coming back, Senator Shaheen? I do, because we really want it, but it is predicated on the U.S. Government getting back to work and the SBA loans being available.

Senator SHAHEEN. Thank you very much.

Chair LANDRIEU. Senator Cardin.

Senator CARDIN. Let me thank you all for your comments and putting a face on the issue. You hear the numbers, you hear the thousands of people and hundreds of thousands of people and millions of people, but until you can put a face on it so people can recognize it is their neighbors, it is their community that has been impacted, it makes it difficult. So, I would just urge you to—I would be interested to more of the specifics about those companies that have not been able to complete their loans and the impact it has on their economic growth and their future.

You talk about consumer confidence, which is a driving force in our economy. There have been studies done that show that as a result of this manufactured crisis, consumer confidence has been more adversely affected than in any of our natural disasters, that is worse than the attack on our country on 9/11 as far as the consumer confidence issues.

And the challenge here, and what I really want to get you engaged, is that, yes, we want to make sure government is open. We want to make sure we do not default on our obligations. But the best case scenario right now, knowing where we are on this date, is that we will work out some short-term solution keeping government open and paying our bills and to negotiate, hopefully, a budget agreement. If that happens, the pressure is going to remain on Congress to get a budget agreement so that we eliminate this short-term governance from crisis to crisis. Consumer confidence will only be restored if they believe that we have our act together here.

So, I would just urge you not to leave the debate later this week, if we are successful in getting government open and not defaulting on our debt, but to get engaged in the process of working out a budget agreement for this country. And I agree with those of you who said, look, you have got to come together, Democrats and Republicans. Democrats are not going to get their way. Republicans are not going to get their way. But those who say they will not compromise are the ones who are driving this country on the brink of disaster. We have got to be able to make the system work and compromise and get things done. So, I would just urge you to do this.

Let me just reinforce the point that you made, Mr. Withee, in that the small company that will not get its microloan and may have discovered a new way of innovating in cybersecurity or a new way of innovating in the service industry, that is competitiveness that is forever lost in America. And that young scientist who might have gone into NIH and might have gotten an award this year, but because of the government shutdown that award was not coming, who chooses to go to a different field or a different country, that is lost forever in this country. So we have hurt ourselves. There is no question about the permanent damage that has been done to individual businesses and to the competitiveness of America.

But we all have a responsibility to figure out a way to get beyond this. And as frustrating as it is for you, believe me, it is just as frustrating as it is for us. I agree with Senator Shaheen. I really do not understand how people could deny government staying open and paying our bills, why they would want to put that threat on America. But we are where we are.

So, I guess my comment, if anyone wants to further identify the type of companies, I think that would be helpful. Put more of a face on this. Let us know the types of businesses who cannot get loans as a result of this and what that means in Rockville. Make it as personal as you can to your community. That would be helpful to us.

Chair LANDRIEU. Mr. Paul.

Mr. PAUL. First, thank you for all the great work that you do in our great State of Maryland.

One topic that I think is important, as you have all heard from the small business owner, is that they have put up everything that they have in order to borrow those funds. Well, as we all know, in 2008 and 2009, when the value of real estate plummeted, there was very little equity remaining in their homes. So now, which I believe will happen over the next few months, especially if we are just kicking a can down the road, consumer confidence is going to drop. The value of homes are going to go down and that home equity is going to dissipate. So what happens to that customer, what happens to that borrower, that is looking to start its own business, or maybe a current borrower that is currently looking for that SBA loan right now that does not have the equity in their home any longer? So, all of a sudden, that equity that they have always been able to leverage against, which is what this country has built itself upon, being able to borrow through the net worth of what you have, which is primarily your home, goes away.

So, I just believe, and I am not an economist, but I certainly speak to enough that I do believe, interest rates will go up. I think whatever appreciation we have seen in real estate values are not necessarily as a result of real estate values going up, but the fact that you have interest rates going down and, therefore, their ability to buy homes has increased. But when that equity drops and interest rates go up, I think that you will be back to a recessionary discussion in terms of the slowdown in our economy.

And you are absolutely right. This is not a Democratic, this is not a Republican, issue. This is a U.S. issue. And I think that the embarrassment that we have caused ourselves, who knows whether or not the—we all know, listening to Chairman Bernanke in terms of how we artificially have dropped interest rates, where we have only been able to artificially drop interest rates because our international friends have been willing to buy our debt, are they going to continue to buy our debt under the current circumstances that we are in? I think not at these current levels. It is just not worth the risk. So, therefore, I think that will be one more reason that rates will go up. So, I think this is as much of a macro issue as it is a micro issue.

Chair LANDRIEU. Thank you. Ms. Robertson and then Mr. Ford, in answer to Senator Cardin's question about the face on people and the impact.

Ms. ROBERTSON. Thank you. I have a couple of 504 stories that I would like to share with you. One is a borrower in Owings Mills, Maryland. They are constructing a new Holiday Inn Express, which will create 20 new jobs. They have been through all the due diligence for a new construction project. Their loan application is sitting at SBA waiting for approval. They cannot break ground. This is a business dependent on the tourist season. If they do not break ground shortly, their hotel will not be built in time to take advantage of the tourist system [sic]. They are going to be facing major losses their first year in business. That is certainly a very detrimental thing for small business.

I have—a couple of my colleagues shared a couple of projects in Massachusetts. One is for an existing 504 borrower that is purchasing a second location for expansion. They are buying a building that is currently in foreclosure, so it is an unutilized building, so it is bringing a building back into the economy. They have posted a \$149,000 deposit that they will lose along with the opportunity to buy the building at this discounted price and 25 new jobs that would have been created.

We have another in Hyannis, Massachusetts, that is a printer buying a larger facility. He needs a new and bigger printing press that will not fit in his current space. He has got a \$35,000 deposit on the building and another \$35,000 deposit on the printing press. If he cannot close by November 4, he loses the building and then he has to cancel the order for the press because he has no place to put it. So, there is \$70,000 he has lost, two jobs for his business, and those are good paying pressmen jobs.

So, there is a lot of impact all over the country for small business owners. I mean, we can come up with a lot more stories, but it is just incredible.

Chair LANDRIEU. Well, and I would just add—and Mr. Ford, I will get you in a minute—the loss of the machinery and the buildings is heartwrenching and really devastating to families, but the loss of faith in their government, it is hard to measure.

Mr. Ford.

Mr. FORD. I will be quick on these other populations. Senator Cardin, you talked about technology. We are looking at programs, the STEM program, where we as a country are woefully behind in the technology area. Those programs are not being funded. People that are doing research and development in cybersecurity, where we want to protect our country, those companies are going out of business.

Small Business Innovation and Research, SBIRs, that have done incredible things to advance this country are not being performed right now, and so those companies that are focused in those areas right now are companies that are going out of business. Companies that are moving the needle for this country are not being supported. Those are some of the faces that are being impacted by this country.

Chair LANDRIEU. Senator Hagan. And we are going to close at four o'clock. We have about ten more minutes.

Senator HAGAN. Thank you, Madam Chairman.

This is a very important meeting and I think everybody here, and I hope the nation, understands how we feel that this is a manufactured crisis that does not need to take place. And it is, from my standpoint, very disturbing to hear the stories, the real stories, that are happening across the United States each and every day, especially with our small businesses.

Mr. Singh, your comment about the risk that you take in your business is a risk that you are willing to take, it is a calculated risk that there are going to be good days and bad days, but you should not have to calculate into that risk whether the United States Government is true with its full faith and credit of the debt and the borrowings that we owe. Like, that should not be a part of the equation at all or ever.

And, Senator Landrieu, your comment, too, along with Mr. Griffall about, from a tourism standpoint, the seasons, you know, in North Carolina right now with the national parks closed, there is a report that has just come out that said the Great Smokey Mountains National Park, just the first ten days of that closing has affected \$33 million in lost revenue just in the Western part of North Carolina. You add that to the fishing off the coast of North Carolina and the campgrounds that are closed in our national parks and the number of visitors that were going to go hike in our national parks, stay in the local hotels and restaurants, and they are not doing that. I mean, why go when all of those areas are closed for, once again, an irresponsible, manufactured crisis? This is not the floods in South Dakota or the snow. This is something that we should be able to take care of without a second thought.

Ms. Smith, in North Carolina, we have the third-largest military footprint in the nation, and I know we have got about eight percent of our population is employed as civilians by the Department of Defense, 416,000 jobs. Following Secretary Hagel's decision to recall most of these furloughed workers, do you have any understanding

of how the Department of Defense is providing guidance on any—on how they intend to proceed with new contracts that are currently in the pipeline?

Ms. SMITH. I know some contracts are put on hold. We have a job fair on the 22nd of October and we are getting ready for some of these contracts that are going to come out real soon. I mean, then the furlough happened and we are just going to go ahead and just hold the resumes because there is nothing else we could do with them. So, a lot of contracts are definitely on hold. That is what we are getting.

Senator HAGAN. And, once again, that has such a detrimental impact to small business.

Chair LANDRIEU. Yes, it does. Does anybody want to comment on the Department of Defense, and I think the reason the Senator asked, not only is it important, of course, in her State, but it is such a huge buyer of goods and services. And what I think we are trying to get people to understand is even if every Federal worker came back to the Department of Defense, but if you do not give a signal to your contractors, which are your partners, I think, in this—in every department, but particularly in this department it is significant. Maybe, Mr. Ford, you want to comment, and then Mr. Paul, and then I am going to end with one question.

Mr. FORD. Yes. I mean, I think—as you know, being a DOD contractor, the excellence that you need to provide is high. We are talking about protecting the warfighter. The uncertainty that we face is what services that they need to support. I mean, as we look at as warfare has changed, it is the reliance on people and technology and processes that DOD requires to ensure that our warfighters have the best that they have to offer. But when we talk to our DOD clients, they are telling us, you need to wait because we do not understand what we can do, and that is the most difficult part, because we have been engaged over the last year to 18 months in what types of services we can offer to them and they obviously like various contractors—we would not be here—but they do not know how to proceed.

I guess, as Mr. Singh said, we do not mind uncertainty, but it needs to be certain on one side or the other that you know you need the services, you do not know when, and you do not know how, and that is just very difficult—

Chair LANDRIEU. And we do not have a budget.

Mr. FORD. And we do not have a budget.

Chair LANDRIEU. We do not have a budget and have not had a long-term budget.

Mr. Paul, and then I will get Senator Shaheen for a question—

Mr. PAUL. Just very quickly—

Chair LANDRIEU [continuing]. A comment.

Mr. PAUL [continuing]. We all know how important the construction and homebuilding industries are to our economy, and the BRAC realignment that has taken place in the State of Maryland is enormous. We have a number of construction jobs that have taken place in areas throughout the State of Maryland, and what we see very quickly is a drop in draw requests that are happening from the homebuilders, because they are not being able to have the home construction and the home sales taking place. So, clearly,

right away, we are seeing in just over the past few weeks a drop in their draw requests due to demand in housing.

Chair LANDRIEU. Senator Shaheen.

Senator SHAHEEN. Thank you, Madam Chair.

I just wanted to make a point for all of you who are involved with government contracting with the Department of Defense that this is not the first hit that folks have gotten, that this comes on top of sequestration, those automatic cuts which have already had a huge impact in the State of New Hampshire. The defense base accounts for 17,000 employees, about \$1 billion in payroll and economic activity. So it is a huge impact and this is really a double whammy.

Chair LANDRIEU. Excellent point.

I am going to end with two questions, very briefly, and the first to Mr. Singh, and if anyone else wants to chime in. I think a lot of people up here, besides thinking this is a pinprick that is not really hurting anyone, it will go away shortly and we will be back on the road, which I think you all have dispelled in your comments today very well, but a lot of people are also saying, well, shutting down the government is saving the taxpayer money. Could you please explain from your perspective how that is absolutely—this is not saving the taxpayer any money, talking about maybe a few of the businesses that you know that are now closed down that, if let to operate, could actually save the taxpayer money, but they are being held back.

Mr. SINGH. Sure. I mean, I think, first off, if you are going to give back pay to all of the people you are just not letting work, then that is not really saving a whole lot of money. It is just making their lives harder.

We work with building efficiency and we are seeing that for a lot of folks who might want to get loans to invest in improving their buildings, they are not going to be able to get loans so easily right now. They are not going to want to think about it. There is an entire network of small businesses that want to help improve efficiency in this country. If they cannot rely on small businesses, they cannot basically vitalize or revitalize this sector of the economy. You know, we rely on growth as our mechanism for moving things along. We cannot just say everything is okay as is, particularly in these areas where our country really needs improvement, not just from an economic perspective, but from an environmental perspective, from a social perspective.

All we are doing is delaying our ability to implement change and to implement improvements. We have found that for folks we are talking to who would be interested in engaging with these sorts of activities you know, they might still be. We think they still will be in the future, but it is just on hold for a while and we do not really know for how long.

Chair LANDRIEU. Ms. Firestone, let me get you to answer that and then I am going to end with one question to Mr. Griffall.

Ms. FIRESTONE. Thank you. I think one of the ways, as you saw in my testimony, we save money every day that we work. We are in the business of efficiency. And just to kind of give a face to how deep this ripple effect is, we have injured civilian employees who are unable to get doctors to treat them because they do not trust

that they are going to be paid by the Federal Government. So, as long as we cannot implement our programs, we cannot do what we do best, save money, save lives, and improve productivity.

I was just handed a statistic that astounds me as far as the pinprick. There was a study that just came out from the Economic Policy Institute that said that they are predicting about 900,000 were lost since 2009 as a result of sequestration and budget uncertainty. To me, that is not a pinprick. Thank you.

Chair LANDRIEU. Thank you.

And let me put into the record, and then I will end with one question, this is, "The Government Shutdown Could Be Expensive for Taxpayers." It says, "The answer might not be what you expect. Many experts estimate the shutdown will cost, not save, taxpayers and the bill could be steep. The last government shutdown in 1995–96 cost \$1.4 billion. That is more than \$2 billion in 2013 dollars."

Now, that is just a short-term shutdown. That is not the default on the good faith and credit of the United States. That is not the lack of a long-term budget. It is a very serious situation.

Chair LANDRIEU. And my final question, because so much of the press has been focused about big cities, and around the beltway. Mr. Griffall, the testimony that I read in preparation for this hearing tells a little different story. It is not just the pain in big cities, in suburbs, but can you talk about rural areas and what you are seeing from some of your folks. And I think there was pretty riveting testimony about a small little town in Utah where they had, like, only 500 people in the town and they have already lost 60 percent of their revenues, the whole town.

Mr. GRIFFALL. Unfortunately, that is an easy question to answer. Yes. This, I guess, if you looked only at big cities, you would certainly see a lot of government losses, and they are very real. A lot of people are hurting.

But in the tourism industry, most of the beautiful, scenic areas in America are in rural areas and the gateway cities to the national parks, national monuments, and national recreation areas typically are built around these absolutely fantastic scenic areas, and there are many towns, and I will talk about out West at this point, but believe me, they extend all across the country, everywhere from Michigan to North Carolina to Louisiana, but there are many small towns very specifically hurt by this.

And the town you referred to, Senator, was Springdale, Utah. They are literally on the edge of Zion National Park. Their entire business is, unless you are a retired Californian and moved there, is the entrance to the national park. And this national park was closed.

I will make a real quick footnote that if you are wondering why the taxpayers are suffering from this, the taxpayers of Utah, through the good leadership of our Governor, Governor Herbert, have now donated \$1.7 million or so to the Federal Government to open these national parks for ten days because it was recognized that many of these towns in Southern Utah have no other source of income. And they—I can go to Springdale, Utah, Tusayan, Arizona, right outside the Grand Canyon, you do not go there unless you are going to the Grand Canyon. And when they shut that road

through there, which they did after a couple of days, Tusayan, we as a small tour company had to cancel four different tour programs for the Best Western in Tusayan. That means that money will never be recovered by them. Nobody else was coming there to take those rooms.

Moab, Utah, I talked to Marian DeLay. She is the Director of the Travel Council there and she did her own informal survey. They have 500 businesses in Grand County, Utah, that are tourism-related, and those are all small businesses, and she estimated in the first ten days of this shutdown they lost \$10 million in revenue. Now, these are small businesses and they will not recover that.

Chair LANDRIEU. Small businesses in small towns very focused, very focused——

Mr. GRIFFALL. Absolutely. Mariposa, California—it goes on and on. There are plenty of them.

Chair LANDRIEU. Well, thank you all. Our time has come to an end. I really, again, appreciate the members.

Senator, do you just want to add?

Senator SHAHEEN. Well, I was just going to pick up on what Mr. Griffall said about Zion National Park, because we have a small business in New Hampshire called New Hampshire Gold which is a maple syrup company. They have four employers [sic]. They have their products in the store at the entrance to Mount Zion and they are very concerned about the lack of revenue because of the shutdown of the park. So——

Mr. GRIFFALL. Well, and shutting down New Hampshire in October——

Senator SHAHEEN. Is also a big concern.

Mr. GRIFFALL [continuing]. Is pretty obviously a very, very difficult thing.

Senator SHAHEEN. But, as everybody has pointed out, it is not just the immediate effect. It is that ripple effect that goes across the economy——

Mr. GRIFFALL. Across the economy.

Senator SHAHEEN [continuing]. That is really at stake here.

Chair LANDRIEU. Your voices have been very important for the businesses you represent and a very important sector of our economy. Thank you very much for giving your time and your effort and your thought.

This record will remain open for two weeks. I am hoping the government will be open in two weeks to receive this testimony, and our committee will continue to work where we can.

Thank you, and the meeting is adjourned.

[Whereupon, at 4:10 p.m., the committee was adjourned.]



## **APPENDIX MATERIAL SUBMITTED**

**Questions for Chair Mary L. Landrieu**  
**Hearing -- "Small Businesses Speak: Surviving the**  
**Government Shutdown?"**

**Questions for Sally Robertson**

Question #1: The press has reported that some people don't believe a shutdown of the federal government is meaningfully harmful to the economy. For example, we've heard it's nothing more than a "pinprick" to the economy. According to the data we have from the SBA, in FY2012 and FY2013, the average daily volume of loans was \$93 million, which amounted to an estimated \$840 million on Friday (day 9 of the shutdown, in business days – 11 calendar days).

- As one of the SBA's almost 2,400 7(a) lenders, or one of the SBA's 504 Certified Development Companies, do you agree that the fed government shutdown, particularly the SBA, is not very harmful to the economy? Please explain why or why not.
- Response: Those of us in the Washington, DC Metro area feel as if we are at "ground zero" in terms of the government shutdown. Both the District of Columbia and suburban Maryland have a high population of government workers while Virginia has a high concentration of government contractors. While Congress may grant back pay for Federal workers to ease their personal financial situation, the private sector has furloughed or cut workers who will not receive back pay or benefits. Some may not be rehired. In fact, the day before the hearing, two major companies announced plans to lay off 5,000 workers. The affected families stop spending on things like day care, dry cleaning, eating out, and other discretionary expenditures. The reduction in consumer spending cascades down to our Main Street businesses at a time when they were just beginning to feel

more confident in the economy and seeing some improvements in revenues.

Smart CEOs have been anticipating the impacts of both sequestration and a potential government shutdown for months. Congressional gridlock has forced those CEOs to take steps in anticipation of a major reduction in their revenues by furloughing or permanently laying off staff, reducing expenses, and setting aside cash reserves for slow times. As a result, our 504 lending activity in the Washington Metro area is down by 30%. When businesses are focused on uncertain revenues, they don't purchase a larger facility with a 504 loan, hire more staff, and expand. With no new jobs, the recovery stalls.

Additionally, during a government shutdown, SBA loans are unavailable when small businesses need them most. Those small businesses are facing tougher and delayed collections making their working capital position more precarious, and the SBA guarantee that would help the bank make the loan is not available.

- How much do delays or cancellations in SBA 504 loans cost a borrower? I'm told it can be several \$100,000.
- Response: SBA 504 loans allow a small business to acquire fixed assets including real estate or machinery and equipment. SBA requires that an executed purchase agreement be provided with every application package. Those purchase agreements most always contain clauses that require the buyer to post a deposit. Additionally, the buyer must undertake certain studies to determine if the property is acceptable. These studies must all be performed within specified time frames, and the closing or transfer of the

property is also specified in the contract. If the buyer is unable to obtain loan approval, complete the necessary feasibility studies or settle the contract timely, the deposits are generally forfeited. The total funds the buyer might lose vary by market area and project size.

As an example, one of my colleagues in MA is working with an existing 504 borrower to purchase a second location for the business. The borrowers bid on a foreclosed property and have a very tight time frame to close or lose the property. They have a \$149,000 deposit that will be forfeited if SBA approval is not received in time plus there is the lost opportunity cost. The attractive price of the building for this second location would help make the business more successful. Twenty-five new jobs will be lost if the SBA approval is not received in time to meet the closing timeframe.

Another colleague is working with a printer in Hyannis, MA. The printer is purchasing a new, much larger printing press to meet the demands of its customers. The new press will not fit in the existing facility, so they are purchasing a new location as well. If SBA approval is not received timely, the buyers will lose a \$35,000 deposit on the building and another \$35,000 deposit on the printing press. The order for the press will have to be cancelled as well since they will not be able to install it in their current location. Additionally, they will be unable to meet their customer's needs which could cause a loss of revenue for the business.

We are also aware of a transaction in Donaldsonville, LA where an SBA approval for a local restaurant being purchased has been delayed due to the shutdown. While the contract deposit in this

case is small, the buyer expects to expand operations and create 5 new jobs. Without SBA approval, the business opportunity may be lost for the entrepreneur and the new jobs lost to the economy.

- Looking back, what happens to borrower confidence during a shutdown, when the SBA runs out of 7(a) or 504 funding, or when the country is in jeopardy of letting the debt ceiling limit expire, as in 2011? Sally, you please answer regarding 504 loans, and Ron, you please answer regarding 7(a) loans.

Response: Both our borrowers and our banking partners lose confidence when the SBA is unable to deliver new loan approvals, fund 504 debentures, or properly service funded loans. Even an action as simple as SBA subordinating the existing 504 loan to a new, less expensive bank loan for the customer cannot be processed when SBA is shutdown jeopardizing a favorable rate structure for the borrower. We are financing the construction of a Holiday Inn Express in Owings Mills, MD that is expected to create 20 new jobs. The expensive due diligence for a construction project of this size has been completed, but construction cannot begin until there is an SBA approval. The longer the delay, the less likely it is that the borrower will be able to break ground and complete the project in time for the busy tourist season. This could jeopardize their initial year of operations creating losses when profits should have been realized. The government shutdown and resulting delays will become a “horror” story repeated by the borrower and banker when asked about the project, the construction, or the financing. Unfortunately, we have no alternatives to offer the borrower or the banker, and until SBA returns to work, the borrower cannot move forward.

- In these situations, how long does it take for lending to return to normal paces? Is it automatic, or is there a lag time? Please explain.

Response: There is reputational risk that must be overcome before lending returns to normal. As you know, SBA lenders have attempted to dispel old myths about SBA lending for years. The government shutdown gives new credence to those old myths. Those stories live on and are circulated among colleagues, small business associations, and, in the case of the 504 program, among our lending partners who trust us with their customers. A bad service experience is a terrible thing for a small business to endure and for a lender to overcome, but the experience a small business owner could face of losing significant sums of money in lost deposits and lost feasibility costs or lost business opportunity as a result of the government shutdown will create a reputational problem that is difficult to overcome.

Question #2: Can you provide any insight into what the long-term effects of the government shutdown on the small business lending marketplace might be?

- If the shutdown is prolonged, how could this disruption affect future small businesses who are trying to get an SBA loan?

Response: SBA loans account for a substantial percentage of the loans made to small businesses. With no SBA guarantee available, those small businesses will look for alternatives to provide for their financing needs including high rate credit cards, hard money lenders, and factoring. Business expansion will likely be stifled due to the lack of capital, and new jobs will not be created to help move the economy toward recovery.

Additionally, as noted above, there is a reputational risk to SBA lending if borrowers are unable to meet contract deadlines and lose deposits and feasibility study costs due to the government shutdown.

- Sally, I understand SBA is doing everything possible to make sure the November debenture sale of SBA 504 loans happens. I thank them for that effort. But if the sale must be cancelled or postponed because of a continuing government shutdown, what are the consequences for small business borrowers and for the SBA 504 loan guarantee program?

Response: Due to the timeline involved in the bond sale process, CDCs began closing loans for the November bond sale in mid-September. Should those loans not fund as scheduled in November, the recorded documents will have to be modified and re-recorded with additional costs including attorney fees to prepare documents, title bring downs and recording costs.

Our lending partners depend on the regularity of the bond sale for their pay down. If our sale does not occur, and lenders perceive there to be additional risk because the 504 loan may not pay them down timely, the borrowers could face additional fees or higher rates from those lenders.

The financial markets also depend on the regularity of our bond sale process. The 504 bond sale has occurred every month since it began. Bonds sold within days of 9/11 and during the Clinton era government shutdown. Should that process now be viewed as uncertain in the financial markets, then costs to our borrowers will increase in the form of higher rates and fees.

The value proposition of the 504 program to small businesses is 90% financing at competitive long term rates. Should the U.S. default on its obligations, the diminished value of the guarantee of the SBA will certainly cause a demand by investors for much wider spreads to offset risk resulting in significantly higher rates.

to our borrowers on a long term basis. What is the value of a full faith and credit guarantee of a U.S. Agency if the U.S. has defaulted on its obligations?

Question #3: We have talked a lot about the impacts to your business, your employees. However, we have heard in the papers and on the news stations that a short term government shutdown doesn't impact real people. I would like to take a minute to draw out the distinction between long term and short term impacts.

Would you please outline what you see as irreplaceable long term impacts from what many Tea Party Republicans are calling a "Short Term Government Shutdown"?

Response: The impact of the Federal workforce being furloughed will largely be offset by the back pay they will receive. However, many individuals in the government contracting arena are facing furloughs or layoffs as the private sector attempts to reconcile expenses with reduced revenues. All of these individuals will not be rehired. The impacts of the reductions in personnel cascade through other businesses in the form of reduced discretionary consumer spending. These businesses must adjust to reduced revenues by reducing their staff. Consumers become fearful, stop spending, and consumer confidence plummets. The momentum of a weak economic recovery is stalled.

The adverse impact of the government shutdown will not disappear once the government reopens. CEOs in the Washington Metro area are not focused on growing and expanding their businesses and creating jobs. They are focused on surviving the next Federal budget crisis and debt ceiling debacle.

CEOs need confidence that their Congress and their government will do the right things for the American people, solve our budget and debt

**Questions for Chair Mary L. Landrieu**  
**Hearing -- "Small Businesses Speak: Surviving the**  
**Government Shutdown?"**

**Questions for Lisa Firestone**

Question #1: Ms. Firestone, I understand that your business has 39 employees. Would you describe briefly your work and what impact the current shutdown has had on your organization?

Managed Care Advisors specializes in employee benefits, disability management, and workers' compensation medical case management services. We are basically in the business of reducing the risk of unnecessary long-term physical and vocational disability resulting from On-Duty Injuries and Illnesses. Since 2005, we have specialized in providing these services to Federal Agencies in support of their FECA programs.

Does your contract require you to work even when payments are not forthcoming? We are currently deemed essential on the majority of our contracts, thus we are required to work during "government shut-downs" with the uncertainty of when we will be paid.

What is your normal wait to be paid? As a small business, we are typically paid within 30 days (sometimes less) of submission of an acceptable invoice.

I understand that some doctors are refusing to see disabled workers due to fears of non-payment. Would you describe that challenge? Typically, when a civilian federal employee is injured on the job, they are covered under the Federal Employees Compensation Act (FECA). The Office of Workers Compensation Programs (OWCP) (DOL) has the responsibility for reimbursing physicians for services which are related to an accepted FECA Claim at a pre-determined rate. Therefore, if the government shuts down, payment to physicians may be delayed or denied. In some parts of the country it is already difficult to find providers that accept FECA patients, add payment uncertainty and access to care in

compromised. Regardless of whether the government is open, these employees require care, if this care is delayed so is their recovery and return to work.

What will be your challenges once the government reopens? My company was much luckier than most, we did not suffer any significant financial loss as a result of this shutdown, although that was not clear as we were going through it. The greatest challenge we faced when the government opened back up, was re-establishing connections with our customers, getting them back up to speed in the most efficient manner possible and making up for lost time with respect to hiring decisions, security clearance and certainly long range planning. In my mind this is not over, I am very concerned that we will be facing the same scenario in January, with what I fear will be much worse consequences.

Questions for Chair Mary L. Landrieu  
Hearing -- "Small Businesses Speak: Surviving the  
Government Shutdown?"

**Questions for Joaneane Smith**

Question #1: How many of your contracts have been affected by the stop work orders? **One Contract at USDA National Finance Center in New Orleans, Louisiana**

- Did the recall of the Dept. of Defense workers change anything?  
**No, that recall was for employees and not contractors.**
- How will you change your business strategy after experiencing this shut down? **Diversify the company to additional federal government agencies as well as commercial businesses.**

Question #2: We have talked a lot about the impacts to your business, your employees. However, we have heard in the papers and on the news stations that a short term government shutdown doesn't impact real people. I would like to take a minute to draw out the distinction between long term and short term impacts.

Would you all please outline what you see as irreplaceable long term impacts from what many Tea Party Republicans are calling a "Short Term Government Shutdown"?

**We continued to pay benefits, because if you lay people off when the government returns it will cost money to replace the employees. So we are in a catch 22, do we keep them or do we lay them off. Additionally, when work starts back up you may not get paid for the days of the shutdown therefore that is money you can't recover. It becomes a loss for contractors.**

**Questions for Chair Mary L. Landrieu**  
**Hearing -- "Small Businesses Speak: Surviving the**  
**Government Shutdown?"**

**Questions for Keith Griffall**

Question #1: Mr. Griffall, you have extensive experience working in the tourism industry and have even taught courses on group tourism/travel. As a seasoned veteran of the industry, you are well positioned to provide us with the longer view on how this current shutdown will impact your business and others that you work with.

- Can you give us examples of how disasters or previous Federal shutdowns impacted tourism customers and businesses in the long-term?
- Disruptions in travel always have effects on travel but most are temporary. However some have lingering effects that can cause travel patterns to change and sometimes permanently. In the case of a Government shutdown due to political issues, it gives travelers a sense of foreboding that can dampen travel in general much like a financial recession or a lack of consumer confidence. This will last until they again feel that we are going in a positive direction even though the actual events may not affect their travel plans.

This was most evident in the case of the 9/11/01 events which cast a pall over travel due to the randomness of the event and worry about travel safety in general. Natural Disasters don't typically have a lingering affect but they can certainly have a long term economic effect on the immediate area such as New Orleans. It takes a long time to attract travelers to a destination and a long time to get them to come back after a natural disaster. This is especially true of the National Parks being closed which can easily translate to travelers going to other areas of the US and the world where there is great natural beauty that probably won't be shut down indiscriminately.

Question #2: Over the weekend, the Interior Department and five Governors (Arizona, Utah, Colorado, New York and South Dakota) reached agreement to re-open several National Parks. The Governors offered to pay the cost of staffing and operational costs for the parks. In particular:

- Utah is paying \$1.7 million for 10 days of operation at eight National Parks, monuments, and recreation areas
- Arizona is paying \$651,000 to operate the Grand Canyon for 7 days
- New York is paying \$369,000 to reopen the Statue of Liberty for 6 days
- South Dakota is paying \$152,000 to operate Mount Rushmore for 10 days

The states will likely seek reimbursement from the Federal Government when the shutdown ends. However, reimbursement would have to be authorized by Congress.

- Utah was the first state to reach agreement with Interior and your Governor Gary Herbert seemed to be one of the leaders behind this approach. Can you discuss the re-opening of 10 of these National Parks in the Western U.S.?
- Truthfully this act of selfless behavior by the states and their tax payers was a savior to the small communities that depend on tourism. It is very possible that the taxes dollars recouped by the states will actually pay for the investment but regardless it should not have come to this. This was a lifeline sent to those communities by the elected officials that are closest to the harm but the elected national representatives should never let this happen again. Some small business may not recover from this and certainly many people employed by these businesses will never

recover what was lost. This affected those least able to deal with it; rural communities with seasonal employment and income.

- While I am pleased to see these 11 parks re-opening, I note that this comes at significant cost to the states and there are still another 390 National Parks closed due to the shutdown. For example, while the Grand Canyon is re-opening in Arizona, Petrified Forest National Park and Saguaro National Park in the state are still closed.
  - Would you agree that these areas may not have the economic impact of the bigger parks but they are just as important to local mayors and businesses?
  - Every Federal attraction of any type is an important economic driver to the nearby communities. The last thing we want to see is that these beautiful and historically significant areas are lost to preservation because of a demand that they be left in local hands or the perception that the government can't manage them properly.

Question #3: As a senator that represents many rural communities and a state that depends on tourism dollars, I am well aware of how important local attractions can be to economic development.

- Can you discuss how some of these rural communities in the Western U.S. are impacted by the closing of a National Park?
- Much of the Western U.S. is dependent on tourism as an economic driver but most certainly the rural communities that are located in the midst of Federal Lands. Utah alone has 62% of its land area controlled by the Federal Government so that when there is a disruption on that system it affects entire communities that have based their economy on tourism due to the lack of other sources of income. It can be absolutely devastating to those communities that are on the borders of the National Parks!

- Can you name a few towns that are seeing a severe economic impact from the shutdown?
- Many western communities are not only highly reliant on tourism as an economic driver but are also very seasonal so a shutdown during the height of the season can cause severe economic disruption. In many cases these small businesses can't recover and go out of business. Towns like Springdale, Utah; Tusayan, Arizona and Estes Park, Colorado are good examples but certainly there are many others. Moab, Utah; Torrey, Utah; West Yellowstone, Montana; Jackson, Wyoming; Mariposa, Fish Camp, Oakhurst, El Portal, and Groveland, California; and many, many others. The communities around Yosemite had a double whammy this summer by the fires that kept tourist out of their communities and just as these fires were controlled we had a Government Shutdown of the Park!

Question #4: We have talked a lot about the impacts to your business, your employees. However, we have heard in the papers and on the news stations that a short term government shutdown doesn't impact real people. I would like to take a minute to draw out the distinction between long term and short term impacts.

Can you please outline what you see as irreplaceable long term impacts to your business or your industry from what many Tea Party Republicans are calling a "Short Term Government Shutdown"?

Travel patterns and habits are constantly changing but when self-inflicted harm causes tremendous disruption of travel it always has a long term effect that can cause significant harm over time. This kind of random shutdown will particularly affect long haul travel from foreign countries where they have many choices for their vacation plans. The cost is just too great to leave to chance. Foreign inbound travel to the United States is our largest service export and the bad press and real

problems this caused travelers will be in their minds for years to come. The travel industry and the US Government spend a great deal of money to attract tourist and turning them away from the sights they come to see is a disaster of our own making.

**Questions for Chair Mary L. Landrieu**  
**Hearing -- "Small Businesses Speak: Surviving the**  
**Government Shutdown?"**

**Questions for Sabrina Poole**

Question #1: Thank you for participating in our E-Verify Immigration roundtable in May. What is the expected difficulty in hiring after suspension of E-Verify during the government shutdown? Hiring verification and other Government functions could not occur since the e-verify system were not fully functional due to the shutdown.

- I know that cash flow is a major concern for small businesses and that payment from task orders is a sufficient source of revenue. What impact has the delay in processing task orders had on your operations? We are still facing the aftermath. We are paid based on the Accelerating Payments to Small Business for Goods and Services [Memorandum 11-32]. Several Agencies are behind on payment due to the shutdown and have not met the 15 days which gives us a cash flow problem. Other Agencies were obviously overwhelmed due to the invoices they received after the shutdown ended; one Agency informed us that they could not locate our invoice resulting in us having to resubmit the invoice.

Question #2: How have the delays due to the shutdown impacted you as a subcontractor? Decrease in revenue. We obtain operational costs and management costs from revenue as a sub-contractor. Due to the shutdown, employees could not work. As was pointed out at the recent hearing, small business owners use our personal property (homes, cars, etc.) as collateral for the business, therefore - like our employees - a shutdown where our revenue is lost increases the likelihood of both business failure and personal financial ruin (unlike Federal employees, our and our employee's revenues were NOT reimbursed).

Question #3: Federal agencies rely a great deal on private contractors to support their missions. Immediately upon reopening, contracting officers at Federal agencies will likely consolidate contracts or do whatever they can to award contracts as quickly as possible causing the marketplace for small business contractors to be more competitive.

- What legislative solutions do you recommend that could better protect small businesses from contract bundling?

Ensure Small Business do not lose work due to insourcing, Strategic Sourcing and bundling by raising the small business goals of agencies from 5% to 10%.

- What problems does the absence of contracting staff during a government shutdown pose for new projects coming down the pipeline?
  - Delay in decisions for acquisition strategies for new and existing projects
  - Cancellation of acquisition in its entirety
  - Make sure small business guidelines are enforced. We have been told that some agencies are 'bundling' several small procurements into larger procurements, or utilizing strategic sourcing versus having small businesses bid for the work. Small Business is accessible directly for procurements at 3.5M.

Agencies are doing this because:

- It will be more difficult to cut the entire budget, if the Agency is forced to trim their budget. Reducing, not eliminating, the tasking would result in the project continuing to make progress, even if at a slower rate
- Unlike small businesses, large businesses have lawyers on staff - therefore it continues to be easier to eliminate small business tasking rather than reduce large business tasking
- It can be easier / less time for the Agency to have the procurement competed among 3 small businesses as the rule of 3 applies under the FAR.

Question #4: Given the day-to-day, ongoing nature of the performance and payment of service contractors, small businesses are at risk of:

- furloughs and leave without pay;
- challenges meeting financial commitments; and
- slow payments on invoices for work already performed.

Today, we are in the 15th day of the government shutdown. If the shutdown drags on for weeks or months, how will these layers of impact be compounded on your business?

If a shutdown drags on for months, we will be forced to close our doors. We are struggling to pick up after 15 days due to income that cannot be recuperated, and contracts starting back up after the stop work order were given.

Question #5: We have talked a lot about the impacts to your business, your employees. However, we have heard in the papers and on the news stations that a short term government shutdown doesn't impact real people. I would like to take a minute to draw out the distinction between long term and short term impacts.

Would you please outline what you see as irreplaceable long term impacts from what many Tea Party Republicans are calling a "Short Term Government Shutdown"?

The Tea Party is out of touch with reality and is working very hard to destroy this country. The long term impacts from this shutdown include:

- Personnel are making the decision to support private industry, NOT the Federal Government. This will result in reduced services to the Government (as the replacement staff will be less qualified) and higher costs / reduced profit to businesses (due to a reduced workforce pool)
- As the problem was postponed - not completely addressed - both agencies and businesses continue to have concerns that another shutdown will occur in the future. As a result, decisions and long term commitments are not being made.

Some members of Congress seem to forget that the American public is becoming VERY disgusted with Congress' continued lack of a budget. As a people, we continue to believe that we can overcome almost any obstacle - but we cannot begin to address the problem if Congress does not do its part - and pass a budget.

I continue to remember the quote by President Theodore Roosevelt: "In any moment of decision, the best thing you can do is the right thing, the next best thing is the wrong thing, and the worst thing you can do is nothing."

Please work to resolve the shutdown and budget problems, and allow all Americans to once again be able to start making long-term plans for the future.

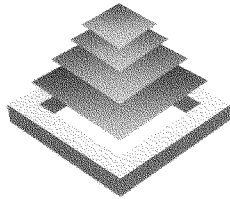
**Questions for Chair Mary L. Landrieu**  
**Hearing -- "Small Businesses Speak: Surviving the**  
**Government Shutdown?"**

**Questions for Chris Leh**

Question #1: First I want to thank you for your service and applaud your entrepreneurial spirit. You have described how the shutdown has impacted your business – I have a few follow up questions:

- With this delay, will it be more difficult to pick back up and move forward with purchasing your equipment? How has this impacted your CNC machine supplier, have you already made payments for the product? No, the delay does not make it more difficult to pick up and move forward. When the SBA opened back up, it took some time to get the approval because of the backlog. The CNC machine suppliers had to wait and yes, I had put money down to have them hold the machines.
- Do you normally have a deadline for orders, is delay this affecting that? Yes, I have made commitments with my customer and the commitment dates had to be extended due to the length of time that we were delayed.
- Is it difficult to find qualified individuals to operate this highly technical machinery and will you have to do your search again? Two fold answer. Normally, it is very difficult to find qualified CNC operators. People with technical skills are in general harder and harder to find every year. This is happening for many reasons but mostly an overall decline in manufacturing. I could talk for hours about why that is happening. We personally at TL Technologies are not having a problem because we have created a culture and environment where people want to come and work. We have several individuals that are patiently waiting for us to continue our growth so that we can bring them on-board. This is a nice problem to have.

- Has this impacted the productivity of other non-government projects you had planned? No, the shutdown only affected this one project that I discussed while speaking to the committee.



**National CAPACD**  
*Innovating Together from the Ground Up*

**National Coalition for Asian Pacific American Community Development**  
**Statement submitted for the record to the**  
**U.S. Senate Committee on Small Business and Entrepreneurship**

**Closing the Wealth Gap:**  
**Empowering America to Reach their Full Economic Potential for Growth and Job Creation**

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Please accept the following statement on behalf of the National Coalition for Asian Pacific American Community Development (National CAPACD) for the Senate Small Business Committee Roundtable "Closing the Wealth Gap: Empowering America to Reach their Full Economic Potential for Growth and Job Creation" held on September 18, 2013.

National CAPACD is a national advocacy organization dedicated to addressing the housing, community and economic development needs of low-income Asian Americans, Native Hawaiians, and Pacific Islanders (APIs). We were founded in 1999 by a network of established community development organizations that have served API communities for the last three decades. Today, National CAPACD is a network of more than 75 community-based organizations (CBOs) with a community development focus and capacity to provide linguistically and culturally competent services and programs in 19 states.

In 2010, National CAPACD became the first HUD-certified National Housing Counseling Intermediary specifically focused on serving APIs, with a network of 22 organizations in 16 metropolitan areas with services in 31 API languages. National CAPACD, along with the National Council of La Raza and the National Urban League, is also a founding member of the Asset Building Policy Network (ABPN), a coalition of the nation's preeminent civil rights and advocacy organizations committed to closing the wealth gap in the US.

**Overview of API Poverty**

API poor are one of the fastest growing poverty populations in the wake of the recession. National CAPACD's API Poverty Report found that from 2007 to 2011, the number of API poor grew by more than half a million, representing an overall increase of 38 percent – a 37 percent increase for Asian Americans in poverty and a 60 percent increase for Native Hawaiians and Pacific Islanders (NHOPIs). Meanwhile, the general poverty population grew by 27 percent. Only Hispanics saw a larger percentage increase (42 percent) than APIs.

Unfortunately, the relative wealth of AAPIs to other racial and ethnic groups has led to overly simplistic conclusions about the perceived wealth parity that AAPIs have achieved when compared to non-Hispanic whites. While Asian Americans still have a much higher relative wealth standing compared to Hispanics and African Americans, Asian American net worth still fell by 44 percent during the housing crisis – from \$160,078 in 2005 to \$89,339 in 2011. This is more than double the 19 percent decline for non-Hispanic whites (from \$136,635 to \$110,500) during the same six years.

The disparate levels of wealth lost during the recession indicate that the composition of AAPI wealth is quite different than that of non-Hispanic whites. With large concentrations of poor AAPIs living in 17 of the nation's 20 most expensive housing markets, significant AAPI household wealth is connected to housing. Unfortunately, these metropolitan areas were also among the hardest hit during the recession, suffering some of the steepest declines in home values and wealth loss.

#### **AAPI Small Business**

For many AAPIs, small business ownership has long been the means of climbing out of poverty and achieving economic security. AAPIs are highly entrepreneurial, with the AAPI small business ownership rate higher per capita than any other ethnic group. While Asian Americans own 25.8 percent of all minority-owned businesses, they own more than half (50.9 percent) of all minority-owned businesses with employees. They also employ almost half of all employees working for minority-owned businesses and often constitute the economic and cultural anchors for most AAPI communities, providing language-accessible services to local residents.

Most of these firms, however, are sole proprietorships and microenterprises with poor access to capital. AAPI small business owners often must rely on personal assets as a source of support for their enterprises, whether through personal savings or through lines of credit secured by their home. Yet with falling home prices, and with AAPIs living in many of the hardest hit housing markets, there is simply less equity in home loans in the aftermath of the housing crisis. Further, underwriting standards are tougher across the board and interest rates are rising.

AAPI small businesses are also concentrated in industries with low margins, which are highly sensitive to downturns in consumer activity. Further complicating matters, many AAPI small business owners are immigrants who do not have the English language facility and cultural background to navigate the complex financial and regulatory environment, leaving them particularly vulnerable to in-language predatory services. Small businesses often anchor city neighborhoods and serve as regional draws for populations living throughout a metropolitan area. Therefore investment in AAPI small businesses both creates jobs and helps to revitalize neighborhoods that contribute to the larger regional economy.

#### **RECOMMENDATIONS**

**Support community-based non-profit organizations and intermediaries as providers of Small Business Technical Assistance.** Currently, much of the technical assistance available to small businesses is provided by local governments and mainstream financial institutions, and often target larger small businesses, not microenterprises. With limited English proficiency and a complex regulatory environment, many AAPI, immigrant and minority small business owners face additional challenges when starting a business. Community-based non-profit organizations are experts in assisting immigrants and communities of color overcome these barriers. There are many models of community-based non-

profits providing linguistically and culturally accessible technical assistance to small business and microenterprises that can be better supported and coordinated with the SBA and the Minority Business Development Agency at the Department of Commerce.

Using HUD's Housing Counseling intermediary program as a model, we recommend that SBA expand resources and partnerships with local non-profits and national non-profit intermediaries with track records in serving communities of color. National Small Business Technical Assistance Intermediaries would build a network of community-based small business assistance organizations across the country to share best practices and ensure minority small business owners receive the support they need. The intermediaries could provide program and administrative support, technical assistance and an information delivery system for the network members. The intermediaries would leverage federal resources with private funding to support the operations and services of network members.

As an example, in the wake of the foreclosure crisis, National CAPACD identified a major gap in culturally and linguistically appropriate services and resources to assist AAPIs with their housing options. In 2010, National CAPACD became the first HUD-certified National Housing Counseling Intermediary specifically focused on serving AAPIs. Today, our intermediary is comprised of a robust network of 22 community-based organizations in 16 geographic areas that are HUD-certified and funded to provide housing counseling. Collectively, the organizations in our intermediary have the capacity to provide services in 31 AAPI languages.

**Protect resources for technical assistance for small businesses and microenterprises.** The recession hit minority-owned small businesses very hard, yet funding and technical assistance opportunities like PRIME TA have been scaled back or eliminated completely when needed most. In this current era of austerity, protecting any remaining support still available through federal programs like Women's Business Centers is critical.

**Track small business loan activity by race and ethnicity.** Currently, CRA regulations mandate that banks release SBA loan data by zip code, but do not require information on race and ethnicity. While the data is able to generally show lending patterns in low-income neighborhoods, limited information make it difficult to track the number of actual loans received by AAPIs and AAPI subpopulations. Requiring the collection and disclosure of lending activity by race and ethnicity and AAPI subpopulations would make it easier to better determine the unmet needs of AAPI subpopulations and evaluate whether lenders are reaching underserved communities.

**Support Immigrant Entrepreneurship and Economic Development through Immigration Reform.** Citizenship should be viewed as an asset that can open up the economic potential of immigrants to increase their personal income and build wealth. A 2012 report by the Kauffman Foundation found that immigrants demonstrate the highest rates of entrepreneurship of any demographic segment studied and are more than twice as likely to start a business as non-immigrants. In 2011, immigrants were responsible for 28 percent of new US businesses founded, which more than doubles their 13 percent share of the US population. A 2012 report by The Partnership for a New American Economy found that immigrant-owned firms generate an estimated \$775 billion in revenue, \$125 billion in payroll, \$100 billion in income, and employ one out of every 10 workers. Making financial education and other asset building services available to immigrants, in conjunction with legal services and ESL, can be the critical difference between a new immigrant-owned small business driving its local economy and a family in poverty, unable to afford the financial costs of the immigration process and struggling to make an economic contribution.

**Implement fee reductions and increase guarantees for SBA 7(a) loans.** The Recovery Act temporarily lowered fees and increased guarantees for smaller dollar 7(a) loans, which successfully increased lending activity as loans reached an additional 3,800 businesses and created or saved 41,100 jobs from 2009 to 2010. Adopting this strategy in targeted priority areas can incentivize lending and improve access to credit in underserved communities.

**Make the SBA Community Advantage pilot program permanent and increase the capacity of mission-driven lenders, community banks, microlending intermediaries, and CDFIs to provide 7(a) loans in AAPI communities.** SBA should provide technical assistance to help community organizations become approved Community Advantage lenders. This is especially important for community banks and CDFIs neighborhoods serving large LEP populations. SBA should also explore, identify, and build capacity for Community Advantage lenders in Hawaii and the Pacific Islands, as there currently are none.

**Include underserved Asian American subpopulations as a Target Population in the Community Development Financial Institution program.** Currently, the definition of Other Target Population in the CDFI program is as follows: “An Other Targeted Population is defined as an identifiable group of individuals in the Applicant’s Service Area for which there exists strong evidence that they lack access to loans, equity investments, and or/Financial Services. The CDFI Fund has determined there is strong evidence that the following groups of individuals lack access to such products and services on a national level or within their recognized ancestral areas: (i) Native Americans or American Indians, including Alaska Natives living in Alaska; (ii) Blacks or African Americans; (iii) Hispanics or Latinos; (iv) Native Hawaiians living in Hawaii; and (v) other Pacific Islanders living in other Pacific Islands.”

Asian Americans are the only major racial minority group that is excluded from this definition. There are well documented problems with making blanket determinations, and developing far reaching policy based on aggregate data on Asian Americans (See National Council for Asian Pacific Americans Best Practices: Researching Asian Americans, Native Hawaiians and Pacific Islanders, July 31, 2013 <http://ncapaonline.org/BestPracticesAANHPI.pdf>). The data for Asian Americans must be disaggregated by subpopulations or the tremendous needs of certain subpopulations will remain unmet.

SBC Hearing on "Small Businesses Speak: Surviving the Government Shutdown?"  
Submission For The Record

By Dr. Stuart Farquharson

"I am Dr. Stuart Farquharson, President and CEO of Real-Time Analyzers in Middletown, Connecticut. My company builds chemical analyzers designed to save the lives of military, homeland security and other first responder personnel. One year ago we completed development of a portable fuel analyzer for the US Marine Corps that qualifies indigenous fuel for emergency use thus enhancing war fighter safety and reducing energy costs. A promised contract to delivery units to each battalion remains on hold.

The US Army and Air Force also recognize the value of the fuel analyzer. In June the US Army notified us that they wanted to purchase 8 fuel analyzers for testing, only to tell us a few weeks later that a contract could not be put in place by September 30 due to government furloughs. The US Air Force ordered their first fuel analyzer in August. Although we are determined to provide these much needed units in support of our military ASAP, we currently do not have the resources needed to buy the required parts, and shipment will be delayed because of the government's inability to conduct business with us during the shutdown. In short, the livelihood of my employees and indeed the very existence of our once-thriving small business are being threatened by the shutdown.

During the past 10 months I have had to lay off 50% of my staff, including highly regarded scientists and engineers. These were highly skilled, good paying positions, that are now lost. In February I adopted 4 day weeks in the form of furloughs to keep our company solvent. This caused two additional scientists to leave RTA. So far I have been able to keep the core of the highly specialized team together that is responsible for creating this leading edge technology. If I can't support these people and lose them, this technology will likely be lost. As it stands it may take several years to regain our position in the marketplace.

As dire as these circumstances sound, we nevertheless were awarded three new government contracts in the past couple of months. We were looking forward to immediately hiring new employees as soon as funding for the new contracts arrived. Unfortunately, payments from these contracts are on hold as is any future hiring due to the shutdown. The current inability of our government to conduct business is diametrically opposed to our mutual goals of promoting economic recovery for small businesses, and providing world class support for our military."

**Theriot, Luke (SBC)**

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**From:** W. Kent Tobiska <ktobiska@spacenvironment.net>  
**Sent:** Monday, October 21, 2013 10:26 PM  
**To:** Theriot, Luke (SBC)  
**Subject:** U.S. Government Shutdown effects on space weather small business  
**Attachments:** SWI\_Shutdown\_rev8.pdf

Dear Senate Small Business Committee,

Our company, Space Environment Technologies (SET), is part of the American Commercial Space Weather Association (ACSWA). As an officer in SET, I am writing you this personal letter to express, in conjunction with ACSWA, our very deep concern that the U.S. Government shutdown was damaging our critical national defense, our international scientific leadership, and our technical business innovation that protects our society from the hazardous effects of space weather.

When the Sun experiences a massive solar flare, as has happened several times during chaotic but smaller solar maximum conditions like we currently find ourselves, billions of tons of the Sun's atmosphere are blown off. That material, in the form of charged particles, can reach the Earth in less than a day. Its effects are devastating: regional ground current surges that shut down large areas of the national power grid, unusually high radiation doses to commercial air crew and their passengers, and extended disruptions to global communications, GPS navigation, and radar systems. We only have to look back to Hurricane Katrina in late August and early September 2005 for an example: the 4th largest solar flare in history eliminated helicopter-to-ship and ship-to-shore communications for the emergency responders for hours, right during the time that we all were watching helicopters lift people off roofs in New Orleans.

Our company is one of 16 in ACSWA. The products we develop and the research we conduct for U.S. Government (USG) Defense, Commerce, Transportation, and Energy agencies are usually rated as important for the critical national infrastructure to mitigate space weather hazards. When unnecessary shutdowns occur, our infrastructure and even personal safety are at risk. For example, on Monday evening September 30 the shutdown resulted in powering off the NASA Langley Research Center computers that provide us with the most advanced aviation radiation environment information anywhere in the world - and it was right during a solar radiation storm! From our analysis of that single event (shown in the attached figure), for the population flying in the northern hemisphere during the 24 hours from mid Monday to mid Tuesday (nearly 1/2 million globally), the dose received was sufficient to statistically give 20 of those people a dose that will result in fatal cancer in their lifetime (see attached journal article submitted for publication). Information ceased before the peak of the storm occurred. Our USG data sources from NOAA NGDC and USGS that reported the solar storm's ground-monitored effects ceased by October 1 and we had to rely on foreign sources for our operational information.

As a small business, SET is extremely dependent upon timely payments of government contracts for work performed. Our employees across eight states (CA, AZ, UT, CO, NM, TX, MA, DC) are directly affected if we cannot invoice - we cannot make payroll. This is what happened to us in October. The shutdown eliminated our ability to invoice the National Science Foundation to pay our employees. There were also delays for our NASA-related subcontracts due to confusion by the prime contractors of what was to be done during the shutdown. The result was that we had to defer payroll for our employees until after the shutdown.

Finally, we as a nation are quickly, and needlessly, losing our capabilities for global space situational awareness as it affects U.S. interests in global defense and business. We beg Congress to please resolve its differences without a future shutdown of the U.S. Government so that we, as a society, do not escalate a slide into degraded

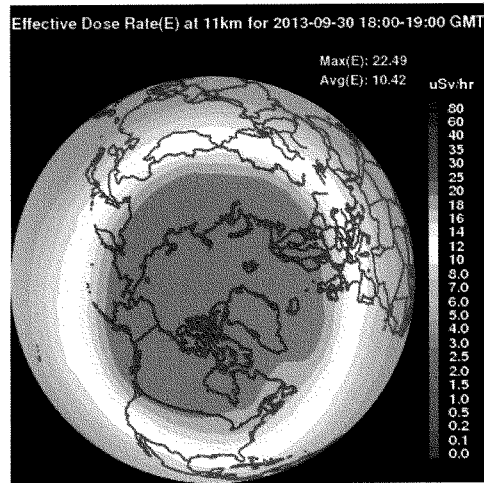
capability, lost jobs, and squandered opportunities handed to foreign competitors of our critical national space weather infrastructure.

Sincerely,

Dr. W. Kent Tobiska

President and Chief Scientist, Space Environment Technologies (<http://spacewx.com>)

Executive Committee Member, American Commercial Space Weather Association (ACSWA - <http://www.acswa.us>)



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\*\*\*\*\*  
Enabling human evolution into space  
with advanced space weather  
products and services  
\*\*\*\*\*

## U.S. Government shutdown degrades aviation radiation monitoring during solar radiation storm

W. Kent Tobiska, *Space Environment Technologies*

On Monday evening September 30, 2013 the U.S. Government began to shut down numerous facilities as a result of the lack of Federal budget funding. Included in this shutdown was the computer system that runs the *Nowcast of Atmospheric Ionizing Radiation System* (NAIRAS: <http://sol.spacenvironment.net/~nairas/index.html>) [Mertens *et al.*, 2009] at NASA's Langley Research Center (LaRC). This system provides real-time data driven climatology of the aviation radiation environment as shown in Figure 1, the last report before the shutdown. The source radiation is from both Galactic Cosmic Rays (GCRs) and Solar Energetic Particles (SEPs).

Ironically, the shutdown occurred just as a moderate solar radiation storm was peaking. A day earlier, on September 29, a small X-ray solar flare event erupted around 21:45 UT. Coincident with it was a large spatial eruption in the NW quadrant of the solar disk. A 35-degree long north-south filament eruption, centered near N15W40, led to the injection of fast plasma into the interplanetary medium. NOAA Space Weather Prediction Center (SWPC) reported that the charged particles arrived at Earth approximately 17 hours later on September 30, 2013 14:20 UT and was associated with the GOES satellite measurements of >10 MeV protons having a maximum flux of 182 protons  $\text{cm}^{-2} \text{s}^{-1}$ . These SEPs coupled with the Earth's magnetosphere to produce a moderate S2 radiation storm ([http://www.swpc.noaa.gov/NOAA\\_scales](http://www.swpc.noaa.gov/NOAA_scales)) with a peak at 20:05 UT on September 30 and continuing until October 1 at 17:15 UT. High-energy particle measurements (>100 MeV) are a better indicator of radiation risk to passenger and crews but have not yet been studied for this event. The geomagnetic storm associated with this event combined with a high-speed stream (HSS), which had a minimum Dst value of -54 nT at 12 UT on October 2. The non-HSS, slower particles than those creating the S2 radiation storm, produced a later G2 geomagnetic event with a -43 nT minimum Dst value at 2 UT on October 3. The combined events relaxed to background Dst of 0 near 21 UT on October 4, 2013.

The question naturally arises: *what risks were there for passengers and crew on commercial aircraft flights during the September 30–October 1 S2 radiation event?* In this type of radiation storm, passengers and crew in aircraft flying at high latitudes or high altitudes can be exposed to elevated radiation risk; pregnant women are particularly susceptible.

To answer this question, we want to understand what was the peak effective dose rate at commercial aviation altitudes during the radia-

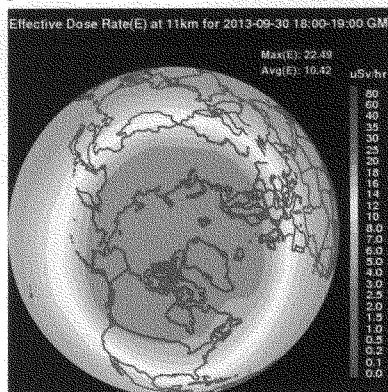


Fig. 1. NAIRAS effective dose rate at the time of the U.S. Government shutdown of NASA LaRC computers and prior to the 20:05 UT peak of the radiation storm on September 30, 2013.

tion event and what are statistical guidelines that we can use to estimate those radiation risks.

*What was the radiation event effective dose rate?* The NAIRAS system, which provides data driven climatology for the aviation radiation environment, showed an effective radiation dose rate for this event peaking around  $21 \mu\text{Sv hr}^{-1}$ , and averaging around  $15 \mu\text{Sv hr}^{-1}$ , at the typical 11 km (36,000 ft. or Flight Level (FL) 360) commercial aviation flight altitude for latitudes higher than  $20^\circ \text{ N}$  (figure 1). Military and private jets flying at 15 km (49,000 ft.) likely experienced 50% higher effective dose rates. Aircraft at latitudes greater than  $60^\circ \text{ N}$  also experienced about 30% higher dose rates. Unfortunately, due to the U.S. Government shutdown, data were not taken at the radiation event peak or during its decay back to non-event levels on October 1, 2013.

These effective dose rates were considerably higher than those measured and reported in real-time and at similar latitudes, altitudes just a week earlier by the *Automated Radiation Measurements for Aviation Safety* system (ARMAS) with information provided at <http://sol.spacenvironment.net/~ARMAS/index.html>. ARMAS had just completed its summer season of 29 successful flights on a NASA Dryden Flight Research Center (DFRC) DC-8 on September 23. More significantly, the ARMAS team found preliminary indications, through testing, that the aircraft aluminum fuselage and interior plastics actually increase the number of secondary and tertiary particles created from the ambient GCR neutron and SEP proton flux. This suggests a higher dose rate inside the aircraft for human tissue than would be estimated by ambient environment models such as NAIRAS. Aircraft shielding of  $5.3 \text{ g cm}^{-2} \text{ Al}$  with  $3 \text{ g cm}^{-2} \text{ HDPE}$  was used to simulate an aircraft hull and interior at both the Loma Linda University Medical Center (LLUMC) 175 MeV proton beam and the Los Alamos Neutron Science Center (LANSCE) 1–800 MeV neutron beam during calibration runs of the ARMAS micro dosimeter in August and September 2013.

Given the 24 hour radiation event, and understanding that the radiation in the cabin could be higher than the average effective dose rate estimated by NAIRAS due to enhanced secondary particle fluxes from aircraft materials, an effective dose rate of  $20 \mu\text{Sv hr}^{-1}$  is used for the 24-hour period distributed asymmetrically around September 30, 2013 20 UT.

*How many people were flying in the affected radiation zone during this period?* This number is nearly impossible to determine so a heuristic approach is used to make an estimate. Taking the U.S. case alone, the U.S. Bureau of Transportation Statistics (BTS) reports that 744 million passengers traveled on U.S. domestic and international flights between July 2012 and June 2013. This yearly passenger rate, assumed to be valid for September 30–October 1, 2013, becomes 2 million passengers for the radiation event time frame; this represents the maximum population sample but for U.S. origin–destination flights only.

This number must be reduced because only longer-distance flights of more than one-hour duration are near FL 360 for any considerable length of time. This excludes many regional flights. We also further limit flights to those that are at high enough magnetic latitudes to be affected. Thus, one can consider a limited number of international North America – Europe – Asia flights as those that were most at-risk for the September 30 radiation storm. The world air traffic pattern (figure 2) supports this consideration, further showing that the North American – European routes dominate the system.

As an example, a typical San Francisco – Frankfurt flight takes around 11 hours and, eliminating take off and landing, 10 hours can be used as a canonical long distance international flight time that would be at FL 360 or higher. The United Star Alliance has 5600

flights a day to 374 destinations throughout the Americas, Europe and Asia according to

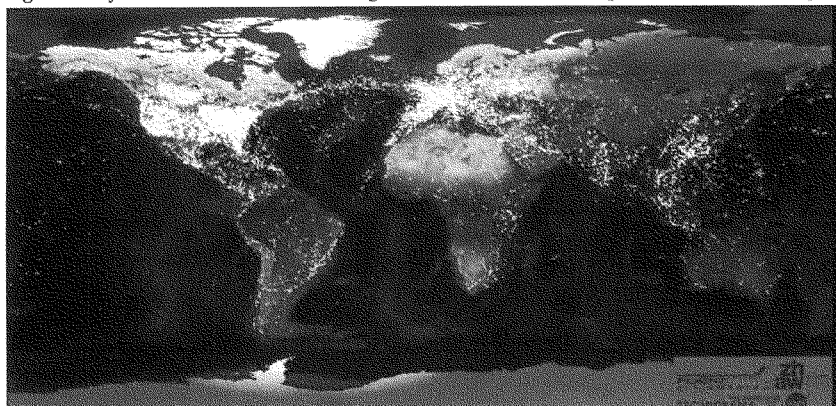


Fig. 2. World 24-hour air traffic pattern (individual planes as yellow dots) from the website <http://www.flixy.com/scheduled-airline-flights-worldwide.htm>.

their marketing literature. Assuming that 10% of these may be on the North America – Europe route, then 560 flights a day would be a reasonable assumption for the number of affected flights from that airline alliance. This is tangentially supported by the fact that United Air Lines flies 500 flights a day alone from Chicago O'Hare, which is a central hub for many international flights. If we assume 560 flights a day for the Star Alliance, and make similar conclusions for the smaller Sky Team and Oneworld airline alliances, then at least 1200 flights a day can be considered for the North America – Europe route. *Executive Travel* magazine reported in December 2009 that there were 1164 aircraft crossings on this route each day.

A common aircraft used for long distance international flights is the Boeing 777 long-range wide body, which has a typical seating capacity of 314 to 451 passengers. Using an estimate of 350 passengers per flight, considering the U.S. BTS passenger load factor for June 2013 of 86%, then 420,000 passengers could be affected. This estimate ignores routes out of the North America – Europe corridor, both U.S. domestic and international; thus, for convenience, we round up the total affected passengers to 500,000, which provides a reasonable number for those that were in the affected radiation area during the September 30, 2013 event.

Using the figures that  $\frac{1}{2}$  million affected passengers received  $20 \mu\text{Sv hr}^{-1}$  during their typical 10-hour flights at FL 360 or above, individuals in this population then received 2 mSv dose from the combined background GCR neutrons and the September 30, 2013 SEP protons. We recognize that some people would be on shorter flights, or will have flown into non-affected latitudes during their flight, so we conservatively reduce the final estimated dose to 1 mSv for the affected population during this event.

*What is the risk to these passengers from this radiation event?* It is generally agreed in the scientific community that it is not possible to accurately estimate the risks from radiation exposure below 100 mSv; the 1 mSv dose from this event is considered a low level

dose. The risk from this level of exposure is primarily from contracting fatal cancer at some later point in life. For the entire at-risk population on these flights, their whole body (including sensitive organs) was subjected to the exposure. Thus, to estimate the risk, both the *National Council of Radiation Protection and Measurements* (NCRP – a U.S. committee of experts) and *International Commission on Radiological Protection* (ICRP – a international expert committee) use a linear model of dose versus effects. As Barish [1996] notes, “This model predicts that there is a possibility of harm associated with any exposure to radiation, no matter how small, and that the harm from low doses of radiation can be predicted by scaling down the known risk levels for high-dose exposures. This is a conservative approach that, if anything, errs on the side of public safety.”

One can calculate from the linear model, shown in figure 3, that a 1 mSv dose will likely cause 4 cancer deaths in a population of 100,000. Thus, for the half million at-risk passengers and crew flying within the September 30, 2013 radiation zone, perhaps up to 20 cancer deaths would occur from this single event. This is a conservative number, considering only the North America – Europe flyers on long distance routes. It also uses effective dose rate values from NAIRAS that did not register the peak of the event or the actual duration because of the U.S. Government shutdown of the monitoring computers; nor does it account for potentially increased radiation exposure that passengers may get from secondary and tertiary particles inside the cabin.

Given the uncertainty in modeling this event using a heuristic approach, one can only conclude that improved modeling, measurements, and public reporting tools of the radiation environment inside commercial

aircraft are needed so that air traffic control (ATC), crew, and passengers can assess more accurately the risks. The U.S. Government shutdown inhibited this radiation monitoring capability.

The shutdown highlighted the need for active operational monitoring, rather than only scientific modeling, of the global radiation environment. NOAA SWPC and its National Weather Service computers would be an ideal platform for hosting this operational capability. The use of the information by the FAA for air traffic control and management is also an important consideration. The radiation environment can be treated like any other risk-prone weather event, e.g., rain, snow, icing, clear air turbulence, convective weather, or volcanic ash, and should be made available to flight crews in a timely way across the entire air traffic management system.

In events such as this, the radiation risk mitigation steps are simple and straightforward – fly at a lower altitude and/or use a more equator-ward route. Real-time radiation monitoring data from instrument systems like ARMAS aboard the fleet of global aircraft

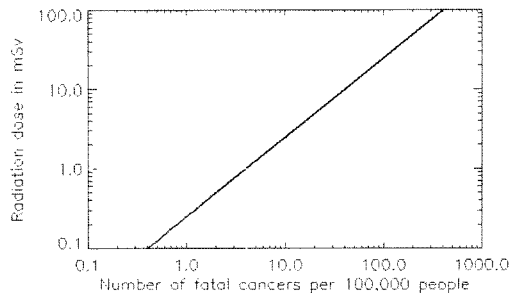


Fig. 3. Linear model of radiation dose vs number of fatal cancers per 100,000 people (from Barish, 1996).

would provide the needed information that can improve global systems such as NAIRAS by enabling them to operate in a data assimilative mode for real-time specification and near-term (hours) forecasting.

Individuals such as frequent flyers, pregnant mothers, and crew members reaching their monthly radiation exposure threshold also need and deserve tools to manage their radiation exposure risk, if they so desire. Public tools and media methods are needed from the space weather scientific and operational communities to provide this information in a timely and accessible manner. With such information, individuals would be able to decide how to manage their own risks, including the decision to fly at other times or on other routes during solar radiation storms.

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**WORLD TRADE CENTER**  
NEW ORLEANS

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## **Shutdown of the Federal Government:**

Issues and Effects on a National and Local Level

### **World Trade Center of New Orleans**

Representing the interests of Louisiana companies engaged in international trade

October 10, 2013

World Trade Center of New Orleans  
[www.wtcno.org](http://www.wtcno.org)  
Special Report

### **WTCNO Report**

Prepared for Members and  
Committees of Congress

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## Summary

The World Trade Center of New Orleans would like to express its concern in regards to the ongoing government shutdown. We see the shutdown of federal agencies as having a direct impact on the commerce of the city of New Orleans, the state of Louisiana, and the Nation as a whole. Specifically the shutdown of the Department of Commerce, Department of Labor, Department of Homeland Security, and the U.S. Customs Service is having detrimental effects on the Louisiana economy. For example, the Department of Labor is not able to process visas for temporary workers that certain Louisiana businesses are dependent on. In addition, the staffing level at the Department of Commerce is creating additional burden on the shipping industry in the New Orleans area. Executives have to do the work of the government while not being able to fully attend to their respective companies. Foreign delegations are left adrift when trying to engage in commerce and the private sector is forced to pick up the slack.

While the government shutdown is certainly worrisome, the possibility of defaulting on the debt will be catastrophic for Louisiana and the U.S. We implore the Louisiana congressional delegation, and the U.S. congress as a whole, to reach a compromise on the debt ceiling in order to keep the full faith and confidence in the U.S. government and maintain a central funding system.

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## Local Issues

### W.R. Zanes & Co. of LA, Inc.

- **Diane Schexnayder, President**
  - > [diane@wrzanes.com](mailto:diane@wrzanes.com)
  - > 504-524-1301
- **Department of Commerce (DOC) issues**
  - > An exporter of training materials could not secure a carnet for a collection of computers used in training classes abroad of their satellite operations and systems. The trainer had to "check" the electronic materials through at the airport on exit. As a result, the inconvenience to the traveler, the lost export forwarding work in the U.S., more cost to the foreign trainer to have computers checked out in advance of training. Inconvenience to trainer to arrange forwarding for the return to US. In this instance the foreign freight forwarder makes the money, not the U.S. Forwarder.
- **Department of Homeland Security (specifically TSA) issues**
  - > Approvals for Indirect Air Carriers (IAC's) who tender freight to the airlines, has extended the renewal periods for 90 days out for renewals during the period ending 12/31/2013. They cannot accept TSA database changes to IAC profiles at this time for any renewals. This will put the burden on IAC's to rush profile changes, once the database is again available, as advance work cannot be done. The problem is Air Carriers may reject export air cargo for security reasons from those IAC are who are not approved, virtually injuring those businesses.
- **U.S. Customs Service issues**
  - > Online database for the System of Harmonized Tariff Schedule (now the official legal tariff) can be found at the USITC trade data search site. However, it has been shut down.
    - Therefore information such as "HTSUS tariff, boycotts, antidumping, countervailing, property rights, etc.," critical to regulatory compliance is unavailable. These are accessed daily by broker forwarders and the import-export communities.

### Ware | Gasparian law firm

- **David Ware, partner (out of office)**
- **Kathleen Gasparian, partner (contact)**
  - > [kgasparian@david-ware.com](mailto:kgasparian@david-ware.com)
  - > 504-830-5900
- **US Department of Labor issues**
  - > Not able to process H1B visa and labor certification for permanent residence in a timely fashion, or at all
  - > While USCIS, the agency that processes applications and petitions, is fee based and will continue to function, the processing of applications and petitions is dependent upon other agencies that are not functioning. This causes delays in processing which will lengthen the period of time that families are separated or that an employer must wait for a key employee.
  - > If an employer wishes to sponsor an individual for permanent residence, the employer must usually first undergo a demonstration that there are no available qualified U.S. workers for the position with the Department of Labor. The date that this process is initiated with the Department of Labor has great impact on the process and a variety of consequences for the intended employee. For many, the inability to file with the Department of Labor may cost them the ability to extend their status in the United States or the ability to include older children in the application. The longer the shutdown continues, the greater this number grows.

**DSC Dredge, LLC**

- **Bob Wetta, President & CEO**
  - > [rbwetta@dscdredge.com](mailto:rbwetta@dscdredge.com)
  - > 985-479-1355
- **Export/Import bank of U.S. issues**
  - > Inaccessible and is impeding international trade
- **US Department of Commerce issues**
  - > LA workboat show has no government representation
  - > He is having to personally do the work of the USDOC
    - Engaging with Nigerian maritime administration and safety agency
  - > "USDOC is always heavily engaged with the foreign delegations that visit NOLA for the workboat show and it is a very prominent time for international commerce for NOLA and Louisiana. The people that are stepping up right now because of the shutdown are volunteers. We are doing so to help promote international trade because we care. We don't get paid to do this and it takes us away from our paid jobs and duties that we are employed to do."

**Bilco Tools, Inc.**

- **William Coyle, President**
  - > [billy@bilcotools.com](mailto:billy@bilcotools.com)
  - > 985 855-1680
- **Department of Commerce Issues**
  - > Unable to process Gold Key program from the USDOC in order to setup meetings during U.S. sponsored trade show in Kiev, Ukraine.
  - > USDOC had guaranteed four meetings with potential customers, and now those meetings are in doubt.

## National Issues

### Trade Specific Effects

- All pesticide imports to the U.S. have been halted, according to the EPA, which must approve them but has had more than 90% of its staff furloughed.
- Steel imports are stranded at customs-clearance warehouses awaiting paperwork.
- More than 40 government agencies are involved in trade shipments, including the EPA, the Department of Agriculture and the Department of Commerce.
  - > These agencies are either closed or running on reduced staff which is greatly impeding trade.

### Broader Shutdown Effects

- 800,000 federal employees unable to go to work
- National parks, monuments, Smithsonian is closed
- Government supported research projects are on hold (i.e. NIH and NASA)
- Farmers having trouble with loans
  - > Dept of agriculture shutdown
  - > E-verify is not available
  - > Small business association shutdown; harder for small business loans
  - > IRS unable to process returns
  - > CBO is essentially closed
  - > DCs government running on reserves

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## Disclaimer

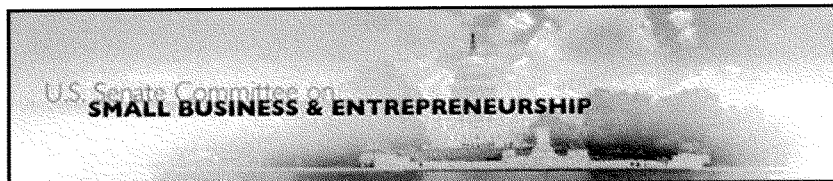
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## 7(a) and 504 Loans (Sorted by State where project is to be performed)

State	TOTAL FY 2012 - FY 2013 Loans Approved				TOTAL FY 2012 - FY 2013 Loans Supported			
	FY 2012 Net \$ Loans Approved	FY 2013 Net \$ Loans Approved	Avg. Net \$ Loans Approved per Month	Avg. Net \$ Loans Approved per Day	FY 2012 Net \$ Loans Supported	FY 2013 Net \$ Loans Supported	Avg. Net \$ Loans Supported per Month	Avg. Net \$ Loans Supported per Day
AK	\$76,325,100	\$66,170,663	\$5,537,323	\$283,856	\$100,862,600	\$85,301,913	\$7,756,855	\$370,846
AL	\$207,119,703	\$176,776,260	\$15,995,665	\$764,733	\$325,963,453	\$237,943,760	\$23,496,134	\$1,123,321
AR	\$87,542,290	\$111,752,919	\$8,303,967	\$397,002	\$110,524,790	\$132,720,419	\$10,135,217	\$484,552
AZ	\$455,008,459	\$446,062,198	\$37,544,611	\$1,794,961	\$558,479,709	\$510,935,948	\$44,558,986	\$2,130,310
CA	\$3,705,375,538	\$3,969,440,025	\$319,783,982	\$15,288,477	\$5,430,296,788	\$5,521,766,275	\$456,335,961	\$21,816,859
CO	\$516,816,673	\$554,476,756	\$44,637,226	\$2,134,051	\$710,022,923	\$761,185,506	\$61,300,351	\$2,930,694
CT	\$165,454,665	\$210,895,362	\$15,681,251	\$749,701	\$206,565,915	\$263,559,112	\$19,588,543	\$936,504
DC	\$27,251,400	\$35,217,500	\$2,602,871	\$124,440	\$40,426,400	\$47,835,000	\$3,677,558	\$175,820
DE	\$53,809,948	\$54,726,200	\$4,522,340	\$216,207	\$69,202,448	\$70,416,200	\$5,817,444	\$278,125
FL	\$1,092,331,053	\$1,208,857,168	\$95,882,843	\$4,584,040	\$1,640,114,803	\$1,608,135,918	\$135,343,780	\$6,470,619
GA	\$835,988,255	\$1,069,256,301	\$79,385,190	\$3,795,308	\$1,102,029,505	\$1,263,643,801	\$98,569,721	\$4,712,497
GU	\$8,572,200	\$10,090,200	\$777,600	\$37,176	\$11,472,200	\$14,300,200	\$1,073,850	\$51,339
HI	\$50,107,600	\$57,176,033	\$4,470,151	\$213,712	\$82,337,600	\$91,277,283	\$7,233,953	\$345,846
IA	\$239,193,625	\$182,692,500	\$17,578,589	\$840,411	\$242,704,875	\$236,637,500	\$24,139,266	\$1,154,068
ID	\$157,549,150	\$138,476,577	\$12,334,405	\$589,693	\$205,029,150	\$183,211,577	\$16,176,697	\$773,388
IL	\$933,887,570	\$894,166,996	\$76,168,940	\$3,641,543	\$1,484,730,070	\$1,229,425,746	\$113,089,826	\$5,406,685
IN	\$405,267,909	\$417,852,121	\$34,296,668	\$1,639,681	\$535,725,409	\$542,630,871	\$44,931,512	\$2,148,120
KS	\$106,926,700	\$171,083,120	\$13,833,743	\$661,374	\$212,712,950	\$225,746,870	\$18,269,159	\$873,426
KY	\$158,092,379	\$133,463,665	\$12,148,169	\$580,789	\$216,404,879	\$164,599,915	\$15,875,200	\$758,974
LA	\$126,173,397	\$126,865,173	\$10,543,274	\$504,061	\$156,207,147	\$159,818,923	\$13,167,753	\$629,534
MA	\$384,738,421	\$378,392,280	\$31,797,113	\$1,520,181	\$641,107,171	\$562,129,780	\$50,134,877	\$2,396,886
MD	\$48,450,000	\$301,752,840	\$22,925,118	\$1,096,022	\$349,856,250	\$395,321,590	\$31,049,077	\$1,484,418
ME	\$63,772,238	\$74,566,451	\$5,764,112	\$275,575	\$83,424,738	\$101,033,951	\$7,685,779	\$367,448
MI	\$688,700,795	\$671,899,859	\$56,691,694	\$2,710,360	\$907,242,045	\$847,496,109	\$73,114,090	\$3,495,494
MN	\$600,312,274	\$560,521,127	\$48,368,058	\$2,312,417	\$875,453,524	\$758,031,127	\$68,061,860	\$3,253,953
MO	\$411,088,431	\$387,903,334	\$33,291,324	\$1,591,617	\$602,123,431	\$497,213,334	\$45,805,699	\$2,189,914
MP	\$3,130,000	\$4,855,000	\$332,708	\$15,906	\$3,130,000	\$4,855,000	\$332,708	\$15,906
MS	\$121,552,600	\$131,024,500	\$10,524,046	\$503,142	\$140,452,600	\$148,980,750	\$12,059,723	\$576,560
MT	\$84,545,012	\$85,237,992	\$7,074,292	\$338,213	\$109,710,012	\$110,711,742	\$9,184,240	\$439,087
NC	\$397,645,949	\$419,289,111	\$34,038,961	\$1,627,361	\$516,537,199	\$497,165,361	\$42,237,607	\$2,019,328
ND	\$93,767,325	\$93,502,456	\$7,802,908	\$373,047	\$157,443,575	\$170,693,706	\$13,672,387	\$653,660
NE	\$152,566,575	\$111,236,504	\$10,991,795	\$525,504	\$216,780,325	\$140,861,504	\$14,901,743	\$712,434
NH	\$123,044,200	\$95,351,200	\$9,099,808	\$435,051	\$203,669,200	\$138,801,200	\$14,269,600	\$682,212
NJ	\$549,802,700	\$554,282,303	\$46,003,542	\$2,199,373	\$730,460,200	\$670,058,553	\$58,354,948	\$2,789,878
NM	\$97,730,258	\$107,386,931	\$8,546,550	\$408,600	\$133,374,008	\$125,766,931	\$10,797,539	\$516,217
NV	\$154,344,500	\$179,096,900	\$13,893,392	\$664,226	\$263,217,000	\$254,363,150	\$21,565,840	\$1,031,036
NY	\$927,318,715	\$925,226,190	\$77,189,371	\$3,690,328	\$1,239,278,715	\$1,198,977,440	\$101,594,006	\$4,857,084
OH	\$669,085,051	\$667,169,380	\$55,677,310	\$2,661,863	\$841,067,301	\$814,209,380	\$68,969,862	\$3,297,364
OK	\$178,524,845	\$212,639,688	\$16,298,522	\$779,212	\$217,471,095	\$257,040,938	\$19,771,335	\$945,243
OR	\$243,829,100	\$292,565,350	\$22,349,769	\$1,068,515	\$342,667,850	\$370,581,600	\$29,718,727	\$1,420,816
PA	\$542,501,964	\$601,479,633	\$47,665,900	\$2,278,848	\$714,151,964	\$690,772,133	\$58,538,504	\$2,798,654
PR	\$62,953,550	\$68,679,144	\$5,484,696	\$262,217	\$90,763,550	\$101,369,144	\$8,005,529	\$382,734
RI	\$84,402,200	\$63,864,100	\$6,177,763	\$295,351	\$123,807,200	\$84,909,100	\$8,696,513	\$415,770
SC	\$204,723,800	\$217,966,917	\$17,612,113	\$842,013	\$278,495,050	\$259,128,167	\$22,400,967	\$1,070,963
SD	\$88,976,474	\$61,617,203	\$6,274,737	\$299,987	\$153,308,974	\$90,652,203	\$10,165,049	\$485,978
TN	\$238,041,431	\$231,266,000	\$19,554,476	\$934,875	\$305,603,931	\$264,879,750	\$23,770,153	\$1,136,422
TX	\$1,616,978,362	\$1,911,077,666	\$147,002,335	\$7,028,000	\$2,135,685,862	\$2,368,398,916	\$187,670,199	\$8,972,280
UT	\$335,561,820	\$384,311,459	\$29,994,720	\$1,434,011	\$500,621,820	\$536,930,209	\$43,231,335	\$2,066,837
VA	\$278,439,300	\$313,516,211	\$24,664,813	\$1,179,194	\$386,173,050	\$390,271,211	\$32,351,844	\$1,546,702
VI	\$265,000	\$1,947,900	\$92,204	\$4,408	\$265,000	\$2,779,150	\$126,840	\$6,064
VT	\$45,527,000	\$31,132,905	\$3,194,163	\$152,709	\$63,464,500	\$44,382,905	\$4,493,642	\$214,835
WA	\$593,460,873	\$657,085,301	\$52,106,091	\$2,491,128	\$819,619,623	\$828,199,051	\$68,659,111	\$3,282,507
WI	\$683,519,270	\$610,861,191	\$53,932,519	\$2,578,447	\$990,726,770	\$777,499,941	\$73,676,113	\$3,522,364
WV	\$46,975,300	\$36,778,730	\$3,489,751	\$166,841	\$55,207,800	\$36,778,730	\$3,832,772	\$183,240
WY	\$37,828,515	\$45,473,600	\$3,470,921	\$165,940	\$58,517,265	\$63,629,850	\$5,089,463	\$243,321

Note: Net loans approved is gross loans approved plus any increases minus any cancellations. Net Loans Supported is net loans approved in the 7(a) loan program, net loans approved in the 504 loan program, and third party loans that are made by commercial lenders as part of the 504 funding package.

\* The number of lending days in FY 2012 and FY 2013 was 502.



# Shutdown Impact Stories

as of October 11, 2013

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**Grapevine Café and Gallery (Donaldsonville, LA)**

- Todd Dorian works in the sugar cane industry and is the owner of a small consulting business in Louisiana. As his next endeavor, he is hoping to purchase the Grapevine Café and Gallery, an existing locally owned restaurant in Donaldsonville, LA.
- The restaurant is relatively well known by locals and has a great reputation throughout the community.
- **Mr. Dorian has a nearly completed application for a 504 loan, which would be used to purchase the restaurant.**
  - The total sale will be \$580,000, with Chase Bank providing \$290,000 and the Regional Loan Corporation in New Orleans providing \$203,000 of the loan.
  - The restaurant currently has 15 employees, but he plans to expand and add 5 new jobs within 90-120 days of purchase.
  - While he generally has a good relationship with the seller, there are concerns that the current owner of the restaurant could get frustrated or anxious by the delay in loan processing due to the shutdown and search for a new buyer.

**Sunderland Printing (Hyannis, MA)**

- Sunderland Printing, owned by Marc Sunderland and his wife, provides printing & graphic design services to clients in the Cape Cod area. They have been in operation since 1984.
- Mr. Sunderland is an Air Force Veteran who learned the printing trade while in the National Guard military. Upon completing his service he decided to open his own small business.
- Since their beginning, the business has grown steadily. They currently operate in a leased space with 9 full time employees.
- **Sunderland is in the process of applying for a 504 loan that would be used to purchase a new printing press and additional real estate space to expand their operations.**
  - Their current leased space is not large enough to hold the new press, which will replace their current, outdated press and is needed to increase business efficiency and competitiveness.
  - The printing press made on demand in Germany, and the seller needs a guarantee that they will be paid before moving forward.
  - The Purchase & Sale Agreement with the seller has already been extended once because of a hold up with the bank. The seller has indicated that they are less inclined to delay it again because of the government shutdown.
  - Sunderland plans to hire 2 additional employees over the next 2 years to operate the new press.

- They have a commitment letter from bank, so gaining approval from the SBA is one of the final road blocks to receiving the loan.
- Sunderland's CDC, Granite State Development Corp., has confirmed that their loan is waiting in the queue at SBA for approval. However, even when the SBA is fully operational again, it is unclear how long it will be before they can be approved due to the growing backlog at the agency.
- This delay is making the seller increasingly anxious about the deal, putting Sunderland's expansion in jeopardy.

**Business Management Associates, Inc (Alexandria,VA)**

- LaJuanna Russell has more than 20 years of experience in all aspects of business operations and government contracting, serving federal and state governments and international entities. She has broad and deep knowledge of business administration, human resource management, and process management.
- Ms. Russell Founded Business Management Associates, Inc. to continue the people and process integration work she began as a consultant.
- She has developed BMA from the ground up, establishing the technical and operational infrastructure, and establishing the employee and client-focused culture.
- During the DPCC/Small Business Majority Press Conference earlier this week, Ms. Russell mentioned that she is the face behind the shutdown.
- **Her business suffers the real world impacts felt from both sequestration and now the government shutdown. Over the last year, she has fired 10 consultants.**
- **She is unable to grow her business to meet the needs of current contracts she has been awarded because the departments and agencies are unable to approve the execution.**
- "As soon as the government shut down, I suffered an immediate loss of revenue, and depending on how long it lasts, there could be contracts I'm not awarded," said LaJuanna Russell, President of Business Management Associates, Inc. in Alexandria, Va., and a member of

Small Business Majority's network council who spoke at the press conference. "That means I could end up having to lay people off. It's appalling that Congress has put me in a position where I might have to fire people. I was just starting to rebuild revenue and regain some confidence in our economy, then this shutdown happened. Congress needs to find a solution now."

- **LaJuanna Russell, Owner, Business Management Associates**

(October 3, 2013 U.S. Senate Committee on Small Business and Entrepreneurship press conference participant)

**Gulf Coast Bank ( New Orleans, LA)**

- Gulf Coast Bank sells all mortgage loans to the secondary market. All Fannie Mae loans and all secondary market investors (who purchase Gulf Coast Bank loans) require a verification of borrower income through a transcript service provided by the IRS. Of course, the IRS is closed, so this has slowed the process of all mortgage lending (purchase and refinance loans) at their bank.
- Gulf Coast Bank is one of the largest mortgage lenders in South Louisiana – they have closed over 1,300 loans totaling \$230 Million year to date – on target to be at \$300 Million for the year (if a breakthrough is reached quickly).
- **As of October 3, 2013, Gulf Coast Bank has 12 loans shutdown pending SBA approval, which equates to \$1.8 Million in lending.**
- “With SBA being closed, we are unable to get approval on SBA deals. We can continue to move to close on deals that were already approved by SBA, as the bank will fund these deals. The problem comes with deals in the pipeline that have not yet received SBA approval.”

“SBA lending is the lifeblood for entrepreneurs in our community looking to start a new business, expand, purchase a new piece of equipment or add a location. We are a state and a city of small businesses. Job creation and homeownership expansion is on hold until Congress & the Administration can breakthrough this impasse.”

○ **Kim Carver, Gulf Coast Bank**

Prepared By: Jane Campbell

**Lions Camp for Youth With Pulmonary Disorders**  
**(Vernon Parish, LA)**

- 2013 marks the beginning of the 56th annual Lions Camp, 51 of those years in Leesville. On July 9, 1961 the first camping session opened the camp which is located six miles North of Leesville on 170 acres of piney woodlands.
- To date over 22,190 children have attended camp. Over 5,000 Lions throughout the state of Louisiana are actively working to see that the youth with Diabetes, pulmonary disorders, and mental and physical challenges are able to experience a life impacting week at their summer place.
- The camp will operate a one week session for Youth w/ Pulmonary disorders ages 5-15 (These applications will be assigned by the LPDCI, Lions Camp Pelican.)
- Two one week sessions for mentally challenged children ages 8-19, two one week sessions for the Orthopedically Challenged, and Hearing/Visually Impaired children ages 7-19. Two one week sessions for Youth with Diabetes ages 6-14 (All Diabetes Camp applications will be assigned by the American Diabetes Association.)
- The children enjoy a full range of activities (swimming, arts and crafts, archery, gun safety, all sports, and nature lore.)
- One of the main fundraisers for the camp is a Rodeo happening in Vernon Parish THIS WEEKEND (October 12/13). Staff spoke with some folks working for the police jury who indicated that due to sequester the attendance at the Fair and Rodeo was down 1/3<sup>rd</sup> compared with years passed. This is due to the large population in the area that earns a paycheck as one of the 6,600 federal contractors surrounding Ft. Polk.

Prepared By: Ross Nodurft

**Organic Breeze Cleaning (Oakland, CA)**

- As an idea to help make our planet a better place and preserve it, my sister Ivette and I along with our spouses, and the ongoing support of siblings and friends, created an eco-safe cleaning company. Now we have been eco-safe since 2002 and in an east coast meets west coast union, we operate as a co-op business in the San Francisco Bay Area of California and in the greater New York City Area.
- OBC's goal is to preserve our world for all generations "now and in the future."
- In our society today we face many problems:
  - Natural resources are much less today than a mere decade ago, this is not good.
  - Our declining economy is just simply unsettling.
  - Our climates are drastically changing daily.
- Here at OBC we are working hard trying to do what we can to help our planet by using eco-friendly cleaning solutions, we know together we can achieve positive results in our little corners of the world.
- All of us are depending on the planet at OBC this is a way of life and we are doing our part in keeping it healthy. So pick up the phone, we want to work with you in your homes, offices and other work spaces to make a positive change and maintain a natural and safe ecological atmosphere just like you. Together, we can end toxic waste!

- About 15% of their business comes from cleaning government buildings. The business is losing this revenue as a result of the shutdown.
- **The company originally employed 34 employees; this number has been reduced to 22 due to the shutdown (a reduction of almost 35%).**
- **The company was forced to stop service for 8-10 locations, due to the shutdown.**
- On Tuesday, the company's cleaning crew showed up at a government building, "but we weren't allowed in," said Monty. "We were told they weren't sure how long this would last. We actually like doing work with the government because they pay on time."
- Monty said the company is already looking for other work to fill the gap until the government shutdown ends.
  - **Jon Monty Co-Owner, Organic Breeze Cleaning (OBCWorld.com), Oakland, CA**

**WegoWise (Washington, DC)**

- WegoWise is a Washington-based startup located at the 1776 entrepreneurial campus. They help offices, schools, and other public buildings become Energy Star-recognized with the EPA.
- The company utilizes Federal government data, via application programming interfaces (APIs), to submit characteristics about a building's size and energy usage to get back a numerical score.
- This score, ranging from 1 to 100, is similar to fuel-efficiency ratings for cars. Last year, nearly a third of all such Energy Star scores were generated using the API. Federal furloughs have shutdown this method of certification – impacting WegoWise.
- The delays, lost revenue, and greater uncertainty is threatening the company's 20 employees and its promising future.
- "If [the shutdown] is prolonged, it's definitely going to slow our sales to commercial buildings. Taking down these systems the private sector depends on affects people's pocketbooks immediately."
  - **Craig Isakow, Commercial Solutions, WegoWise, Washington, DC**

**Western Leisure Tours (Salt Lake City, UT)**

- Western Leisure Tours is a tour operator that specializes in custom National Park tours in the Western United States. They were founded in 1979 and have 5 full-time employees.
- The company works with rural hotels, restaurants, local guides, and other businesses to build a custom tour package for customers.
- Because their business is seasonal (June through October) and customers book sometimes years in advance, Western Leisure Tours has already seen an impact from the shutdown of National Parks, including Yellowstone and the Grand Canyon.
  - This is a critical time of year for businesses they work with as most make a profit the last month and a half of the season. So October is the **worst** time for the shutdown to happen.
- **Some customers are now cancelling – losing half of their down payment – rather than wait to see if the government will re-open or travel to do activities other than what they originally booked.**
  - **Overall they have had three full departures cancel and estimate that 10-20 percent of people on each tour have cancelled.**
- If the shutdown continues much longer, it will cause the company be non-profitable for the year.

- “Ideological differences are one thing but the extraordinary measure of shutting the government down is really hurting the people you represent. Members of Congress continue to be paid. Federal workers have the option of getting back pay. Small businesses, rural communities, and individuals impacted by the shutdown won’t be able to make this money back.”
  - **Keith Griffal [GRIF-FALL], CEO, Western Leisure Tours, Salt Lake City, Utah**

**Managed Care Advisors (Bethesda, MD)**

- Since 1997, MCA has successfully designed, implemented, and managed employee health and welfare and workers' compensation programs for large public and private corporations, and local, state and federal government entities. MCA has been assisting federal agencies in the management of their Federal Employees' Compensation Act (FECA) programs since 2002.
- Government Clients include:
  - US Department of Homeland Security (DHS)
  - US Department of the Interior
  - US Department of Veterans Affairs
  - US Equal Employment Opportunity Commission (EEOC)
  - Office of Personnel Management
- **"I am grateful to be working, but the government shutdown is very stressful. Who knows how long it will last. MCA has not had to stop work on contract, but does not know when it will get paid. The shutdown is wearing on government clients. This is disgusting. I pray that someone will come to their senses and that this will come to an end."**  
**– Lisa Firestone, President**
  - Currently, MCA has 40 employees.
- **Husband is a government employee who is furloughed.**
- Speaking on behalf of other small businesses: Some have had to send all of their employees home. If the agency is shut down then the contractor is shutdown because the contractors are housed at the agency. Some are not going to get paid.

### **Perez APC (New Orleans, LA)**

- Founded in 1940, Perez has grown into a national company with international reach. Perez is a 100% Woman and Minority owned, multidisciplinary firm providing a full range of in-house services including architecture, design-build, construction, landscape architecture, planning, interior design, and real estate development. Perez has 11 offices throughout the US and has won federal contracts in Germany, Afghanistan, Iraq, and West Africa.
- Government Clients include:
  - City of New Orleans
  - US Army Corps of Engineers (USACE)
  - US Department of Agriculture (USDA)
  - US Department of State, Overseas Building Operations
  - US Air Force – Air Force Services Agency (AFSA)
  - US Department of the Interior – National Park Service
  - US Department of Veterans Affairs
  - Federal Aviation Administration (FAA)
  - Ascension Parish Government
  - City and County of Denver Department of Aviation
  - City of Gretna, LA
- **“Federal work is slowing down. I can’t talk to my client. I can’t get paid. I can’t submit an invoice. It is affecting my company’s cashflow.” - Angela O’Byrne, President**
  - More than 50% of work is Federal contracts.
  - **(over \$41,000 in lost revenue per day, 40 employees affected by shutdown).**
- Angela is also on the board of directors of a company that is trying to submit an Offer and Compromise to pay back taxes to the IRS. She stated that the IRS is “not around.”

Prepared By: Krystal Brumfield

**Straughan Environmental, Inc. (Columbia, MD)**

- Currently has 70 employees, 32 of which reported to federal work locations on a full time basis before the shutdown.
- A few are allowed to report one day per week to perform compliance required inspections and sampling, and some staff must be kept to respond in the event of a spill, others who have no work that can be performed off site must be furloughed.
- Benefits must continue to those on furlough.
- **If all 32 employees are furloughed they would lose \$13,000 per day in revenue, or \$280,000 per month, which represents about 35 percent of their monthly revenue.**
- "I am under contract to provide environmental compliance services at three federal sites and one of my biggest challenges is staffing with qualified professional staff. I am now risking losing those staff because of the shutdown. When the bipartisan shenanigans comes to an end and work resumes, I risk losing my hard earned (and extremely expensive to bid) contracts because I lost the qualified staff."

"The shutdown is hurting my employees, people who are dedicated professions supporting the government's environmental compliance requirements. It is affecting my business's stability. It needs to be resolved by Congressional leaders going about the tough job of negotiation, not easy grandiose posturing."

o **Eileen K Straughan, Owner, Straughan Environmental, Inc.**

Prepared By: Jane Campbell

**TL Technologies, Inc. (Ephrata, PA)**

- This veteran-owned company was started in 2011 and since 2012 has grown from 1 employee to 3 employees.
- In addition to other products, they currently supply Locking Blocks for the Army Issued Beretta M9 Pistol. They are a Tier II company and supply the product directly to Beretta USA.
- They create their products using a CNC Machining Center which is a highly automated and incredibly precise and accurate way to make custom machined metal products. There are many different kinds and they are currently in the process of purchasing a 6 Axis CNC Star SG42 Lathe and a 4 Axis Horizontal Kitamura HX400G machining center with funding from the SBA.
- **Four weeks ago they were awarded a \$1,500,000 SBA 7(A) backed loan.** With this loan and funding from the Susquehanna Bank, they were looking to expand by purchasing two new CNC machining centers.
- **These new machining centers would be creating two new jobs with salaries of \$72,000 and \$55,000 with full benefits.** They have already made verbal offers to the candidates and as a result of the government shutdown, are not able to move forward in the process.
- **As a result of the government shutdown, this small and growing business is not able to expand and two new high-skilled and well-paid jobs will not be created.**
- "Without any doubt the government shutdown is having an immediate effect on my ability to operate my small business and expand, by hiring additional highly-skilled employees."
  - **Chris Leh, President, TL Technologies Inc. and Navy Veteran**

Prepared by: Shadawn Reddick-Smith

### **Octo Consulting Group (McLean, VA)**

- The business was created in 2006 and has been very successful in a few short years, per the president, Mr. Mehul Sanghani.
- The firm provides management consulting to help clients make better decisions about their IT systems.
  - For example, they will help a client that expects to pay about \$70 million on a new IT system to get the same system for \$50 million.
- The firm also builds cutting edge IT systems for the government in the health care and intelligence areas.
  - Their clients include National Geospatial-Intelligence Agency, Defense Intelligence Agency, HHS/NIH, Department of Interior, Department of Defense, FBI, USAID; and AMTRAK.
- They employ 155 people and have earned revenue of \$25.5 million.
- **The impact is \$700,000 a month (\$175,000 per week), and 25% of the firm's workforce is sitting idle (about 38 employees) because contracts, without appropriations, can't move forward.**
- **To mitigate the impact, they didn't furlough employees, but they forced them to take Paid Time Off.**
- That doesn't "mute" their costs, because they are still getting paid, but it does help with some "timesheet liabilities" and other aspects.

- **Other employees that aren't impacted and continue to work have volunteered their PTO for others who are idle.**
- "The firm is focused on supporting the mission of the agencies. There are some skills agencies don't have. We do short-term projects to guide them. With this [C.R.] at an impasse, about 25% of our workforce is sitting idle."

"Certainly there's recognition with the public that Congress doesn't want to penalize the federal workforce for the political rangling and so they are willing to give them backpay. That's not the case for the support workforce that supports the federal workforce. [How do they get paid?] I do think it's important to tell the untold economic impact – some shut doors, some let people go – that's something that's not told enough."

- **Mr. Mehul Sanghani, Owner, Octo Consulting Group, McLean, VA**

Prepared by: Kevin Wheeler

**Chenega Corporation (Anchorage, AK)**

- They originally furloughed 900 employees as of October 6, 2013. 450 of those were called back to work due to the nature of their work on DoD contracts.
- **On October 9, 2013 they laid off another 400 employees nationwide. In addition, all employees not laid off will take a 20% reduction in pay.** If furloughed employees are still off through November 1, they will lose their health insurance through our company.
- "Smaller companies must be feeling the same effects as Chenega. Because of our size, we are fortunate to have built up our credit line to help cover the losses we are incurring every day. But this critically injures our profitability and long-term financial health. Contractors, like Chenega, will likely not be reimbursed for keeping contract employees on the payroll. Unlike government employees (who are in a terrible state of flux and uncertainty) there is no provision for back pay for contractors who continue to employ these individuals who we need when/if work is resumed."

"Thank you for bringing to Senator Landrieu's attention the dire financial situation this shutdown is causing for small businesses, of all sizes, and the direct impact Chenega's employees and their families are feeling this week."

"...more layoffs next week if the shutdown continues. "

- Kristina D. Woolston, Vice President Government Relations, Chenega Corporation

Prepared by: Krystal Brumfield

**Auto Art & Collision Repair, LLC (Yakima, WA)**

- Established in 2004, this business is operated by a husband and wife team with two other employees that work in the body shop.
- **The business has been growing at a rate of 30%.**
- On October 1, 2013 they received notification from their bank, Columbia Bank, that their loan for a new building project and equipment purchase was approved; on October 4<sup>th</sup>, they were notified that Evergreen Business Capital had approved the 504 portion of the loan. The total project with new equipment is nearly \$600,000.
- The plan was to move to a new location and hire more employees before their busy season, winter, began.
  - A winter time move would force them to turn business away and lose revenue.
- **Their loan was set to be approved by the SBA, however, was not approved before the shutdown.** Thus, their project plans have been halted.
- **If they do not have the funds to move before their lease is up at the end of the year, they will face much higher rent expenses. This will limit their ability to sustain growth.** They plan to do all they can to continue the move. They have already invested greatly in the project and it would be severely costly to give up now.
- "This is a pinch on our big dream that is being hurt by childish actions."
  - **Mike Philip, Owner, Auto Art & Collision Repair, LLC, Yakima, WA**

Prepared by: Ami Sanchez and Jared Ozer

**Ramarc Solutions (Vienna, VA)**

- This African-American owned business was started 7 years ago by a husband and wife team from Burke, Virginia. In 2011, the company became 8a certified and since then has grown over 300% with servicing locations in DC, NY and London.
- They provide technology hardware and services for video teleconferencing, wireless networking, internet security, cloud computing, mobility along with maintenance and support. The company gets about 25 percent of its revenue from the Federal Government.
- They have an \$81,506.04 contract with the Army National Guard and were set to install video teleconferencing equipment at the Base on September 30<sup>th</sup>.
- They have already purchased the equipment at a cost of \$43,620.04 and have pre-paid for travel costs and hotel accommodations for staff for the duration of the project, which they are unsure if they will receive refunds for.
- They have a pending \$100,000 services contract with the Office of Naval Research.
- As a result of the government shutdown, communications have been limited for these contracts. They have already purchased equipment for the National Guard project and pre-paid for travel expenses. Due to the government shutdown, they have had to tap into their line of credit and pay interest on equipment and other overhead costs.

- **The money they borrowed is going to end up costing them an additional 8.25% in interest payments per month until the shutdown is over and they can be paid and make payments on what was borrowed.**
- "Government shutdown sets off a "rippling effect" that causes economic pain for small businesses, many small businesses become dead in the water"
  - **Craig Stowers, President and CEO, Ramarc Solutions**

**Integrated Finance and Accounting Solutions, LLC**  
**(Woodbridge, VA)**

- Integrated Finance and Accounting Solutions ("IFAS") is an award winning 8(a), Service-disabled Veteran Owned, Woman Owned, Small Disadvantaged Business that provides services such as Financial Management and Integrated Logistics Support to meet the specific needs of its clients.
- Tabatha Turman is the Founder, President and CEO of IFAS. The company was founded in 2007 by Mrs Turman. Mrs Turman has over 20 years of experience as an Army Finance Officer and supporting federal agencies as a consultant. After serving in Operation Iraqi Freedom from 2004-2005 Mrs Turman knew that it was time to transition from the military to start her own company. However before launching IFAS she went to work for the Federal Government at the Army Wounded Warrior Program for 18 months. Soon thereafter in Jan 2007 IFAS was launched and has flourished over the years. Mrs. Turman has a B.S. in Accounting from Southern Illinois University at Edwardsville and a Masters Degree in Business Administration from Cameron University.
- In 2008 IFAS was awarded Best new Business of the Year. In 2009 IFAS was presented with the Best of Business Award. In 2010 and 2011 Diversitybusiness.com designated IFAS as a Top 500 Emerging Business, and in 2012 IFAS was a nominee for the Small Business Administration Small Business Subcontractor of the Year Award. Mrs Turman is also the recipient of the National Coalition of 100 Black Women Northern Virginia Chapter Ebone Image Award. Also, in 2012 Inc. 5000, named IFAS as one of the

fastest-growing, private companies run by Black entrepreneurs. IFAS's success over the years can be reflected upon the company's mission to apply integrated finance and accounting solutions to every engagement in order to assist their clients build, sustain, and maintain a profitable business models. Tabatha's combined experience and passion have added to the fast growing success of her business, IFAS.

- Mrs Turman started the company after spending several years in the military as a logistician and an Army Finance Officer. The companies capabilities centered on the technical skills she learned in the military which included federal financial management and logistics support. The company grew rapidly from its inception and now has serviced over 12 agencies and employees close to 50 people with revenue projected at \$5M for 2013. The strategy in 2013 was to invest in human capital to grow the business. In 2013 the company had 4 strategic hires from top defense contracting firms to include Booz Allen Hamilton and Whitney Bradley Brown. The investment in human capital allowed the firm to submit a total of 16 bids during the last quarter of FY13. The expected win ratio was 75%. To date 3 of the 16 bids have been awarded however stop work orders have been issued on all 3.
- **IFAS won 3 contracts at the end of the fiscal year but cannot execute on these contracts because work orders have been issued for all 3. Employees that were hired for the contracts left their previous employer but are now out of work**

**because IFAS cannot bring them on board  
because it would deplete its financial reserve.**

- The anticipation of the contract wins was to help balance the load that the strategic hires added to overhead however now that awards are not been made profit and cash reserves are being absorbed very quickly. It is uncertain how long the company will sustain itself during the government shut down.
- **One of IFAS' largest existing contracts which employees 13 people is due to run out of funding on Oct 17<sup>th</sup>. As a result the 13 employees may have to put on Leave without Pay. Additionally, approximately 5-6 of the overhead support staff at IFAS will be laid off as well.**
- Another adverse effect the shutdown is having on IFAS is that invoices are not being paid. IFAS has close to a half a million dollars of invoices that it is awaiting payment on. The cash flow for IFAS has been halted by the shutdown.
- I would like to propose that the Congress consider a bail out for small defense contractors in order to recoup missed salaries and revenue due to the government shut down.
- "During the Shutdown, Government has focused on Federal workers even ensuring that they'll be paid for lost time "after the fact". Military also to be paid which we applaud. Left out of the discussion, particularly in the Northern Virginia area, are the thousands of Small

Businesses and their employees that have moved to STOP WORK, and will also need to be furloughed, if they haven't been already. The loss of that revenue and those wages will have a significant impact on these Small businesses, and their employees and the economic health of this region. Why have Small Businesses again been left out of comparable discussions when our government can't close on a budget?"

- **Tabatha Turban, President, Integrated Finance and Accounting Solutions**

### **Real-Time Analyzers (Middletown, CT)**

- Dr. Stuart Farquharson is the President and CEO of Real-Time Analyzers. His company builds chemical analyzers designed to save the lives of military, homeland security and other first responder personnel.
- One year ago they completed development of a portable fuel analyzer for the US Marine Corps that qualifies indigenous fuel for emergency use. This enhances war fighter safety and reduces energy costs. In June the US Army notified the company that they wanted to purchase 8 fuel analyzers for testing. Then a few weeks later they said a contract could not be put in place by September 30 due to government furloughs.
- Although they are determined to provide these much needed units in support of the military ASAP, they currently do not have the resources needed to buy the required parts, and shipment will be delayed because of the government's inability to conduct business with them during the shutdown. During the past 10 months Farquharson has had to lay off 50% of his staff, including highly regarded scientists and engineers. These were highly skilled, good paying positions, that are now lost. In February Farquharson adopted 4 day weeks in the form of furloughs to keep his company solvent. This caused two additional scientists to leave RTA. So far Farquharson has been able to keep the core of the highly specialized team together that is responsible for creating this leading edge technology. If he cannot support these people and loses them, this technology will likely be lost. As it stands it may take several years to regain the firm's position in the marketplace. As dire as these

circumstances sound, they nevertheless were awarded three new government contracts in the past couple of months. RTA was looking forward to immediately hiring new employees as soon as funding for new contracts arrived. Unfortunately, payments from these contracts are on hold as is any future hiring due to the shutdown.

"In short, the livelihood of my employees and indeed the very existence of our once-thriving small business are being threatened by the shutdown. The current inability of our government to conduct business is diametrically opposed to our mutual goals of promoting economic recovery for small businesses, and providing world class support for our military."

- **Dr. Stuart Farquharson, President and CEO,  
Real-Time Analyzers**

Prepared by: Kevin Wheeler

**Inman Family Wines LLC (Santa Ross, CA)**

- Kathleen Inman established her own wine business in 2002. She is the owner and winemaker. Until 2010 it was a one woman operation. Then she gained the confidence and ability to open a new winery and hire 2 full time employees as well as many part time employees. Her sales have doubled since 2010.
- Recently, her business has been thriving selling Rosé. Last year her product sold out in 1 week. This led to her decision to increase production this year. In doing so she has used additional wineries. This requires that the label on the bottle be altered and approved by the Alcohol and Tobacco Tax and Trade Bureau (TTB).
- The process, which used to take only 2 weeks, now takes at least 45 days. At the beginning of this month Inman received amazing news.
- She had been working since January to sell her wine to high profile wine groups. The news was that her wine was selected. However, the graphic of these groups must be placed on the label. This slight change requires approval by the TTB.
- Due to the government shutdown, the TTB is not operating and is therefore not approving any new labels. This prevents Inman from bottling any new wines because it is common practice to not bottle a wine without a label. Beyond affecting her business, this also halts the work of the glass suppliers of the bottles, the label makers, and the truckers that transport these new bottles.

- Moreover, Inman is unable to supply this order as she cannot bottle her wine and faces the possibility of forgoing the \$300,000 in revenue it offers. Other than this order, her new growth in production of Rosé cannot be bottled. Thus, she cannot supply her product to the market. This will also lead to forgone revenue. As the government shutdown continues Inman's business will face increasingly difficult obstacles.

- **Kathleen Inman, President, Inman Family Wines LLC**

## Stories Prepared by the Small Business Majority

### **Village Pet Pals (Palm Beach, Florida)**

- Pet sitting professionals with 7 seven years of business, specializing in latch key service and DOGGERCIZE walks.
- Family owned and operated serving West Palm, Palm Beach and Palm Beach Gardens neighborhoods.
- “We have already lost 4 customers this month who work for the government and have cancelled their dog care during their layoff caused by the shutdown. **This shutdown will cost \$1,500 this month.** That means I will not have enough funds to pay for our liability insurance, which puts our business at risk.”
- “Our business is dog sitting for working people who own dogs and those who frequently travel for their job. Maybe we should be concentrated on dog owners who are working in Congress since they are the only workers getting paid.”
  - ***Jana Hireskorn, Owner, Village Pet Pals, Palm Beach, FL***

### **Building Solutions, Inc. (Reno, Nevada)**

- Building Solutions is a General Contracting firm specializing in industrial and commercial construction and was formed to pursue the completion of federal and public works construction contracts.
- Shutdown is affecting both our potential business and our current contracts since there would be no one there to manage or pay them.

- "As a government contractor, a government shutdown would be devastating to our business. This is unacceptable, especially since it is completely avoidable. Please DO YOUR JOBS and keep the government, and the economy, going."
  - ***Vickie Francovich, President/CEO of Building Solutions, Inc., Reno, NV***

**Dubois Laundromat & Carwash (Dubois, Wyoming)**

- With National Forests and National Parks becoming less accessible to visitors due to irresponsible behavior by the Tea Party Congressional Caucus, customers to my Dubois Laundromat and Carwash diminish. Some of my customers are also Forest Service employees who no longer afford to wash their vehicles. As your irresponsible behavior continues, my oil and gas drilling customers will be unemployed as soon as the current well is drilled, and no new drilling applications can be processed until you decide to uphold your constitutional duty.
- "ObamaCare is the law of the land. If you are so sure everyone will hate it (I like what I see so far) let it fail and repeal it through the normal legislative procedure as per your elected responsibility and constitutional duty."
  - ***Chuck Bryant, Owner, Dubois Laundromat & Carwash, Dubois, WY***

**Pagosa Baking Company (Pagosa Springs, Colorado)**

- Pagosa Baking Company started out of the back of our car. In 1999, Kathy started making her European style sourdough breads at home for friends, and over the months was invited to sell her products in local retail stores. We converted part of our garage into a commercial kitchen in December 2000, with the intention of a wholesale bread business. With encouragement from our future downtown neighbors, we purchased our building in June of 2001 and opened the retail shop in July of 2001.
- In our tourism town, federal agencies like the Forest Service (San Juan and Weminuche Wilderness Areas), National Monuments (Chimney Rock) and National Parks ( Mesa Verde & Great Sand Dunes) draw thousands of visitors per year to experience the amazing natural and cultural resources of our great country. My customers have arrived in Pagosa to take advantage of these wonderful resources. Now they're asking me what else to do - you've left them stranded, and you've given me an opportunity to point out how useless to the progress of our country Congress's actions have been.
- "I want and my employees want the increased access to healthcare afforded by the ACA. I want the country to be open and operating. I do not want the international reputation of the USA to be diminished by this shameful lack of responsibility shown by the House of Representatives. Stop the opposition to the ACA, reopen the federal government for business, and approve the debt ceiling."
  - ***Kathy Keyes, Owner, Pagosa Baking Company, Pagosa Springs, CO***

**Conover & Conover CPAs PSC (Harrodsburg, Kentucky)**

- Prior to starting this firm, the managing CPAs worked in various areas of the IRS dealing with businesses of all sizes and taxes of all kinds. After leaving the IRS, we started serving the CPAs and attorneys who used to sit on the other side of the desk. We assisted them in representation before the IRS and in forensic accounting in court. The CPAs are as comfortable working with international corporations with multiple subsidiaries as with the local mom and pop grocery store.
- Continued turmoil due to the shutdown is causing the need for retraining and an inability to conduct business.
- "The Affordable Care Act should NOT be defunded. Many small businesses are already providing insurance. The ACA puts us on a more equal playing field for small business. The ACA is also expected to keep the cost of insurance from rising. Please consider small businesses."
  - ***Carolyn Kay Conover, CPA and President of Conover & Conover CPAs PSC, Harrodsburg, KY***

**Kanga Corp (Lynwood, Illinois)**

- Kanga Corporation was formed in July 2010 as a privately held corporation. The company has completed non-provisional patent applications and currently awaiting patentability on its consumer based product line Trash-Away (TM) (R).
- "I won't be able to pitch our business or products to any government agencies due to the shutdown."
  - ***Shaunta Gray, CEO of Kanga Corp, Lynwood, IL***

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